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RESEARCH ARTICLE

The Role of Analyzing Financial Statements in Making the Decision to Grant Credit in Saudi Commercial Banks. "Applied Analytical Study"

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ABSTRACT

The study aimed to know the extent to which commercial banks in the Kingdom of Saudi Arabia rely on financial statement analysis when granting credit. The study relied on the descriptive analytical approach, and the inductive approach. The questionnaire form was used as a primary source for obtaining the data necessary to conduct the study. The study reached a number of results, the most important of which are: Commercial banks in the Kingdom of Saudi Arabia rely on analyzing financial statements when making the decision to grant credit. There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and rationalizing credit granting decisions in commercial banks in the Kingdom of Saudi Arabia. The study recommended a number of recommendations, including: The necessity of activating the analysis of financial statements in financial ratios when making the decision to grant credit in commercial banks in the Kingdom of Saudi. And to conduct studies on bank credit risks, their causes, and how to treat them.

INTRODUCTION

The banking sector has a vital role in the economic development of countries, where the main function of commercial banks is financial mediation between depositors, lenders or investors, i.e. accepting deposits from depositors and granting credit to borrowers in accordance with the bank's credit policy, loans or credit facilities are the main source on which the bank relies to achieve its revenues, as it represents the largest part of the uses, Through it, the bank can pay the interest due to its depositors, and generate an appropriate amount of profit. While maintaining an appropriate amount of liquidity to meet the withdrawal needs of depositors. In order to do so, banks are exposed to credit risks due to the default of some customers or their inability to pay, which exposes banks to financial losses that threaten the security and safety of these depositors owned by depositors, to avoid or reduce these risks, banks seek to search for safe sources of information to rely on to secure the decision to grant credit, and maintain the recovery of credit amounts granted to borrowing customers at their due dates. And provide the necessary liquidity to meet the withdrawals of depositors, and the financial statements are one of the most important of these sources that can be relied upon when making the decision to grant credit.

Financial analysis is based on the use of financial statements, which are considered one of the most important sources of information for credit decision-making, and these statements show the financial position of the institution at a certain point in time, in addition to the results of its operations during a previous period of time, so that it allows users of these statements to determine the future of the institution with regard to the return on investments and distributions, as well as risks related to cash flows. Therefore, banks are interested in analyzing historical financial statements and preparing and analyzing future financial statements, estimated cash budgets, as it is a tool that predicts the future as it represents a starting point for business planning that will affect future events. (Somaya, 2018, p. 250).

The analysis of financial statements to make the decision to grant credit is of interest to many Saudi commercial banks because of its impact on the effectiveness of the decision to grant credit, where commercial banks use financial statements and analysis when they make the decision to grant credit, and the result of the analysis of the financial statements of banks is useful in evaluating the current and future financial position of customers, and the extent of their ability to pay debts and potential losses in the event that they are unable or unable to pay, In addition to assisting in evaluating the financial performance of banks and rationalizing the decision to grant credit, the financial ratios or indicators extracted from the analysis of financial statements data contribute to providing important and useful information to the bank, and these ratios include: liquidity ratios, activity ratios, debt ratios, and profitability ratios. The financial analysis using these financial ratios is one of the best measures and is characterized by movement because it is associated with different relationships for the items of the financial statements and shows the relationships between them, they are indicators and have different uses that vary according to the goal of the financial analysis.

Study Problem:

The decision to grant credit is one of the most important decisions taken by commercial banks, which requires the need to pay attention to the means and information on which to base this decision. As the granting of credit may result in risks represented in: the default of some customers or their inability to repay the credit granted to them when it is due, which negatively affects the financial situation of the bank, and the freezing of part of the bank's funds, and exposing it to financial losses, and the risk of granting credit by the bank increases because the amounts of credit granted are from deposits owned by depositors and not to the bank's shareholders, which requires the need to maintain and secure these deposits, and not to expose them to credit risks, to do so banks seek to use means and sources of information to secure and control the operations of granting credit, and the financial statements are one of the most important of these sources where these statements show the financial position at a certain point in time and the results of business during a specific period of time and cash flows. Accordingly, the research problem can be formulated through the following main question:

Q: Do the financial statements have a role in making the decision to grant credit in commercial banks in the kingdom of Saudi Arabia?

The following sub-questions emerge from this main question:

Q1: Do commercial banks in the kingdom of Saudi Arabia rely on analyzing financial statements when deciding to grant credit?

Q2: Do commercial banks in the kingdom of Saudi Arabia rely on the use of financial statement analysis ratios when making the decision to grant credit?

Q3: What is the impact of financial statement analysis on the decision to grant credit in commercial banks in the Kingdom of Saudi Arabic?

Q4- Does the analysis of financial statements contribute to evaluating the performance of commercial banks in the Kingdom of Saudi Arabia and rationalizing credit granting decisions?

Study hypotheses:

Based on the questions of the study, the hypotheses of the study were formulated as follows:

Main hypothesis:

There is a statistically significant relationship between the analysis of financial statements and the decision to grant credit in commercial banks in the Kingdom of Saudi Arabia.

The following sub-hypotheses emerge from this main hypothesis:

1- There is a statistically significant relationship between analyzing financial statements using financial ratios and the decision to grant credit in Saudi commercial banks.
2- There is a statistically significant relationship between analyzing financial statements using financial ratios and the rationalization of the decision to grant credit in Saudi commercial banks.
3- There is a statistically significant relationship between analyzing financial statements using financial ratios and evaluating the financial performance of Saudi commercial banks.

Importance of the study:

The importance of the study is as follows:

1- The importance of financial statements as a basic means through which information is delivered to internal parties (management) and external parties (banks), as they show the financial position of the economic unit at a certain point in time, as well as the results of its operations during a previous period.
2- The importance of analyzing financial statements as a source of information when making decisions to grant credit, making decisions, and evaluating performance in commercial banks.
3- The importance of the financial statements in that they allow the users of these statements to determine the future of the institution with regard to the return on investments and distributions, in addition to the risks related to cash flows.
4- The importance of using financial statement analysis in assessing the ability of customers to repay the credit granted to them, and analyzing the financial risks related to granting credit.

Study objectives: Objectives of the study

The study seeks to achieve the following objectives:

1- Study and find out the extent to which commercial banks in the Kingdom of Saudi Arabia rely on financial statements when making the decision to grant credit.
2- Explaining the impact of financial statement analysis on making the decision to grant credit in commercial banks in the Kingdom of Saudi Arabia.
3- Identify the impact of analyzing financial statements using financial ratios in evaluating the performance of commercial banks in the Kingdom of Saudi Arabia.

STUDY METHODOLOGY:

The theoretical aspect: The study adopted the descriptive analytical approach due to its suitability to the type and nature of the study and its objectives and reviewing the study literature represented in the theoretical side (books, magazines and periodicals), previous studies, published research, the inductive approach, and websites related to the subject of the study.

The practical aspect: The questionnaire form was relied upon as a basic source for obtaining the necessary data to conduct the study and was designed in a way that is consistent with the objectives of the study and the variables of the study hypotheses.

Limitations of the study:

Spatial boundaries: The study was limited to a number of commercial banks in Saudi Arabia (11 banks: Al Rajhi Bank, Alinma Bank, Saudi National Bank, Bank AlJazira, Riyad Bank, Saudi Investment Bank, Saudi Fransi Bank, Arab National Bank, Saudi British Bank (SABB), and Gulf International Bank)

Human limits: The study was limited to the category of accountants, auditors, heads department, financial analysts, credit supervisors, and financial managers who work in Saudi commercial banks.

Previous Studies:

Study (Khalaf and Handal, 2023) The study aimed to clarify and analyze the relationship of risks (liquidity and credit) with the special safety indicators of a sample of private commercial banks in Iraq, the study reached several results, the most important of which are: The analysis of liquidity and credit risk indicators with banking safety indicators helped policymakers and regulators to identify the strengths and weaknesses of commercial banks easily to take preventive decisions to avoid any crises that hinder the work of banks. The study recommended several recommendations, including: the need to urge Iraqi commercial banks to develop tools for measurement and control and develop effective contingency plans, in order to control liquidity and credit risks.

Study (Awad Allah and Haj Al-Amin, 2022, 145-157) The study aimed to clarify the extent to which the statement of financial position can be relied upon in the decision-making process, the deductive, inductive, historical and descriptive analytical approach was used, the study reached a number of results, the most important of which is that the management of banks in the northern state - Dongola depends on the audited financial statements after attaching them to the auditor's report for the purpose of taking credit grants, The study recommended a number of recommendations, including the management of banks in the northern state - Dongola to establish special sections to carry out the process of financial analysis.

Study (Abbas, 2021, 352-374), the study aimed to identify the extent of the impact of financial analysis in making the right credit decision that achieves a successful credit policy. The descriptive analytical approach was relied upon, the study reached a number of results, including: There is an important role achieved by the credit policy through the financial analysis of the customer's accounts, as the financial analysis has a clear impact on the possibility of making the right credit decision.

A study (Mokrani, 2020) The study aimed to clarify the extent of the impact of financial statement analysis on the decision to grant credit in commercial banks in Algeria. The study reached several results, including: The Algerian commercial banks under study depend on the analysis of financial statements in the process of granting credit, depending on the method of analysis in financial ratios, and it affects the decision to grant credit. And that there is no difference in the impact of the analysis of financial statements on the decision to grant credit and grant credit between public banks and private banks operating in Algeria.

Study (Somaya, 2018, 249-271), the study aimed to identify the role of financial statement analysis in making decisions to grant credit in Algerian commercial banks, the study relied on the descriptive analytical approach to study the problem and the presentation of information and analysis and the inductive approach to analyze the questionnaire data. The study reached a set of results, including: Algerian commercial banks rely on the analysis of financial statements in making the decision to grant credit. It has recommended several recommendations, including: The need to increase attention to financial analysis by training credit staff to conduct financial analysis and attention to the appointment of competent and experienced employees in this field.

A study (Shahbal, 2017) The study aimed to identify the role of the use of financial statement analysis in the decision to grant credit by verifying the extent to which commercial banks rely on the analysis of financial statements when making the decision to grant credit, and the most important obstacles that limit its use, reached several results, including that the percentage of provision for potential credit losses in banks is not affected by the use of financial statement analysis in credit decisions. The study recommended a number of recommendations, including: the importance of Saudi commercial banks relying more broadly on the financial analysis of the customer's statements, and not being satisfied with the availability of guarantees with the customer. And conduct more future studies on the subject of research due to the scarcity of studies on it in Saudi Arabia.

Study (Brahmi Khaled, 2023, p. 49): The study aimed to find out the reality of the adoption of the creditworthiness criterion (CS 5), by Algerian commercial banks and its effectiveness in reducing the most important risks suffered by banks, represented in the risk of inability to pay debts, which is known as non-performing financing, the questionnaire was used as a tool for data collection, The study to several results, including: the existence of a positive effect of statistical significance of the criterion of creditworthiness 5Cs) on reducing the difficulty of loans in the agencies of commercial banks in Tebessa.

This study is distinguished from previous studies in that it deals with the role of financial analysis in making decisions to grant credit using financial analysis of financial statements using liquidity ratios, activity ratios, and profitability ratios, in addition to their difference in the application environment, which are commercial banks operating in Saudi Arabia.

LITERATURE REVIEW THEORETICAL FRAMEWORK:

The concept of bank credit:

The emergence of bank credit with the emergence of the function of financial intermediation for commercial banks has become the cornerstone of the business of these banks and the purpose of their existence. Bank credit is a means through which loans or credit facilities are provided to customers, whether individuals or companies, according to agreed terms related to profit, repayment period, and guarantees provided.

Bank credit can be defined as "the process whereby a bank grants a customer at his request credit facilities in the form of cash or in another form in order to cover and enable the liquidity deficit."It is also defined as "the trust that a commercial bank places on a person when it puts at its disposal a sum of money or guarantees it for a specific period agreed upon between the two parties and at the end of which the borrower fulfills his obligations in return for a certain return obtained from the borrowing bank represented in interest, commissions and expenses" (Mohamed, 2006). p. 23). It is also defined as " the exchange of present value for future value and consists of one party offering another party a quantity of present money in exchange for an amount of money, often in excess of the first in the future" (Ahmed, 2008, p. 123). He also defined bank credit as "the trust that the bank gives to its customers by providing a certain amount of money to be used for a specific purpose and for a specific purpose and within a certain period of time, and the payment process is carried out according to a specific agreement on specific conditions in exchange for a financial return to be agreed upon in advance. (https://nub.ly/corporate_communicat, 31-07-2024)

Through the definitions, the researchers conclude to define credit as "the commitment of one party to another to lend, provided that the creditor gives the debtor a period of time committed at the end of the payment of the value of the debt, it is an investment financing formula adopted by banks of all kinds", and that the function of credit or lending is to provide individuals and institutions in society with the necessary funds The borrower undertakes to repay such funds, their interest, commissions, and expenses in one payment or in installments on specific dates, and this relationship is supported by providing a set of guarantees thatensure the bank can recover the loan in the event that the customer stops paying without losses.

The importance of credit:

Bank credit plays an important role in the economy, and we can look at this importance from three different aspects : The first aspect is related to the importance of bank credit for the borrower (people with a deficit) lies in its importance for the borrower through the role played by this credit in providing the necessary money that he needs as a result of his inability to provide it. The second aspect is related to its importance for the lender (bank) (surplus) is the main source The third aspect is related to its importance to the national economy, as it plays a vital role in supporting the economy and promoting sustainable development by providing the necessary financing for individuals and institutions, credit contributes Banker in financing investment and development projects that promote economic growth and provide new job opportunities. Bank credit also contributes to financing research and development and innovations that lead to the development of new products and services, and contributes to regulating financial stability by distributing financial risks between investors and borrowers, thus contributing to greater financial stability.

Credit Objectives:

The objectives of bank credit are multiple and include economic, social and commercial aspects. The most prominent of these objectives are:

1- Bank credit is an essential tool for achieving balance and sustainable development in the economy and reflects the role of banks as financial institutions that promote stability and growth.
1- 2 - Encourage surplus owners to save by providing returns on savings and investment deposits .
2- Expanding bank credit, which helps in distributing funds in a balanced manner between individuals and institutions, and thus contributes to achieving the stability of the financial system.
3- Reducing the gap between social classes by providing soft loans to individuals and small projects, which contributes to improving the standard of living and thus achieving social justice.
4- Contributes to increasing production and employment by financing investment and productive projects, stimulating economic growth.
5- Helps in improving the balance of payments by financing exports and encouraging foreign trade activities.
6- Contributes to financing entrepreneurial projects and new ideas that contribute to the progress and diversification of the economy.

Credit Characteristics: (League, 2006,)

A. Bank credit is one of the most important sources of financing resorted to by institutions, especially small and modern ones, due to the weak confidence in their credit position from other financing bodies.
B. Bank credit does not lead to the interference of banks in the boards of directors of borrowing institutions, and thus these institutions maintain the independence of their management and the unity of their decisions.
C. Institutions achieve tax savings by relying on bank credit compared to resorting to financing by subscribing to shares, because interest on loans is considered an expense until tax, that is, it is deducted from profits before calculating tax.

D. Bank credit helps to increase the productivity of capital as it is considered an appropriate means of transferring the use of funds from one person to another, that is, it is a medium of exchange and transfer of cash savings to those who need them and improve Exploitation.
E. Bank credit operations are organized according to schedules for the repayment of outstanding loan installments, as the bank cannot claim repayment before the specified maturity dates, and in the event that repayment is not possible, the bank and - shows a kind of security flexibility in postponing repayment, which allows the continuation of the institution's activity and not to confuse its liquidity.

Foundations of granting bank credit: (Bar & Structure, 2013, p. 110):

Bank credit is granted based on a set of bases, namely:

1- **Security:** This principle is due to the confidence of the bank's management that all the credits it grants to customers will be repaid on time, and the credit is granted depending on everything related to the internal and external environment of the loan applicant.
2- **Profitability:** This means that the bank obtains returns from the credit it grants, enabling it to pay interest on deposits, and to achieve an appropriate return on capital in the form of net profits
3- **Liquidity:** It is the speed and ease of converting this credit process into money, and this is due to the customer's ability to fulfill his obligations on time.
4- **Alignment:** Although the factors of liquidity and profitability go hand in hand, they are also contradictory, which requires finding harmonization between them so that the bank does not sacrifice one factor in order to achieve the other .This is done by managing and employing funds to meet deposit requirements and achieve the largest possible return.
5- **Commitment to credit policy**: The existence of a clear credit policy is a basis on which the process of granting credit is built, and it means a set of rules, procedures and measures related to determining the size and specifications of loans, as well as the conditions and controls for granting, following up and collecting them.

Conditions for granting credit:

Granting bank credit is subject to unified conditions and standards issued by the Central Bank and internal grant conditions derived from the conditions and directives received from the Central Bank and may sometimes differ from one bank to another, but there are basic general conditions followed by most banks when granting bank credit. They are:

1- You must provide valid proof of identity (ID card, passport, etc.).
2- Eligibility to contract (18 years and above).
3- Good credit history of the customer.
4- Sources of income and financial stability (salary certificate - rents).
5- Account statement for a period of not less than 6 months.
6- Property Statement.
7- Clarify the purpose of the loan
8- Submit a feasibility study.

All required documents must be submitted by the bank, such as proof of identity, bank statement, income documents, and any other documents specified by the bank. These terms help banks reduce risk and ensure that customers are able to repay loans on time.

Credit Decision:

The credit decision is the important station of a successful credit policy, as the right credit decisions greatly affect the guidance of credit policy drawing capable of achieving a balance between bank liquidity and appropriate profitability (Angela & Jeremy, 2015) and the credit decision enjoys being one of the most important steps in granting credit. Therefore, the right credit decision must have the appropriate security, which is compatible with the liquidity and profitability of the bank (Abdul Hamid, 2010, p. 37)

Steps for making the decision to grant credit:

There are a set of steps to follow when deciding, including:

Creditworthiness: It means "the ability to obtain credit, and the better the creditworthiness of the customer, the more he can obtain his request from credit and on better terms, and here creditworthiness is determined by financial solvency, reputation, fame, market share and other factors" (Brahmi Khaled, 2023, p. 53). It is defined as: a study of the set of financial and personal factors of the customer aimed at identifying the customer's ability and desire In the payment of future obligations that may arise from granting a certain amount of credit, in accordance with the terms agreed upon with the granting bank. (Samira, Zainab, 2022, p. 14).

There are creditworthiness criteria represented in the following dimensions :(tape, structure, 2013-110-111):

- **a. Customer's personality:** It means studying the customer's personality, reputation, morals and the extent of a sense of responsibility towards his obligations and **debts.**
- **b. Customer Ability: It indicates** the customer's ability to generate sufficient funds to service the debt by studying the customer's financial position**.**
- c. **Capital:** It represents the additional guarantee in the event that the customer is unable to pay, the customer's capital is about the ability of his equity to cover the loan granted.
- d. Guarantee: It means the assets provided by the customer as a guarantee for the purpose of obtaining the loan if it stops paying and the bank has the right to dispose of it.
- e. **Economic conditions:** It means the circumstances surrounding the customer, whether economic, legal and other circumstances that affect the activity of the project financed by the bank.

2- Making credit decisions in light of the balance between the bank's liquidity and profitability and safety in light of the balance between the expected credit return and potential risk and cost

3- The need to take the full credit decision cycle, starting from the initial evaluation of the credit application and its conformity with the credit policy of the bank, and the preparation of the credit study after the initial approval within the limits, conditions and guarantees, and then the issuance of credit flight, and in light of the assessment of the credit arbitrator and the issuance of the credit decision and credit follow-up and ensure the safety of the implementation of the decision and the continuation of efficiency in credit indicators and credit repayment

4. Study all factors affecting the credit decision in order to measure credit risks.

Factors affecting the decision to grant credit: (Al-Shawarbi, 2002, p. 557)

In order to be more precise, credit analysts summarized a set of factors through which they can judge and decide whether or not to grant credit to the customer, namely:

- **1-** Factors related to the customer: personality, capital, ability to pay, guarantees, and circumstances surrounding him.
- **2-** Factors related to the bank: the bank's objectives, material and human capabilities, liquidity, and the bank's strategy.
- **3-** Factors related to granting credit: the purpose of the credit, the duration of the credit, the amount of credit, the source of payment, the method of payment, and the type of credit required**.**

Financial Statements Analysis

Financial statements are the means of communicating information to the external and internal users of this information, with the aim of providing information on: the financial position or position of the economic unit on a certain date, as a result of its operations during a certain period of time, cash flows, and change in equity. Financial statements are an effective tool to communicate this information to its users to make various decisions, especially those related to the areas of Investment and granting credit.

Definition of Financial Statements

Financial statements are defined as "a set of basic financial statements issued by business establishments arranged in tables prepared according to certain specifications according to a set of accounting concepts and principles on a logical basis and in a coordinated manner. From this standpoint, the financial statements prepared and published by business establishments, regardless of the legal form of each of them, are considered one of the most important sources of information necessary to rationalize decisions, due to the diversity of information contained in these financial statements and the appropriate disclosure they provide to meet the needs of those decision-makers, as disclosure plays a major role in reducing the information asymmetry gap between management and users. (Matar 1995, p. 557) In this regard, Hammad (2001, p. 42) pointed out that the role of financial statements is to provide fair, impartial, unbiased and useful information in decision-making, determine the efficient use of resources, and assist in assessing returns and risks related to investment and opportunities.

Different users of financial statements need to have full knowledge about the institution, and this requires the provision of a set of information that can be summarized as follows: the profitability of the institution and its financial position; the ability of the institution to achieve positive cash flows; and changes in the financial position of the institution. (Sabban and Hilal, 2000, p. 199).

Objectives of the financial statements:

It aims to review the company's financial performance during the financial period to provide external and internal parties that include both internal and external users, but it is usually prepared specifically for external users such as shareholders, investors and supervisory bodies, because internal users - management and employees - have other sources of information besides the information contained in the financial statements. In addition to assisting senior management in decision-making and forming a clear vision for the company's financial future. To ensure their reliability and accuracy, the financial statements are prepared in light of generally accepted accounting principles (GAAP).

Types of financial statements:

The published financial statements in accordance with paragraph (8) of International Accounting Standard No. (1) consist of the presentation of the financial statements in force since 2005 and its amendments in 2007 and its application as amended in 2009, and the accompanying supplementary explanations including a summary of the most important accounting policies of enterprises in the following: (Tamimi, 2020, pp. 360-361)

1- Financial Position Statement : Represents the nature and amount of investment in the assets of the entity compared to the liabilities of these assets at a moment in time that is the end of the financial period for which the statements are prepared. The traditional form of statement of financial position, which is called the balance sheet, takes the form of an account that shows assets on the right side against liabilities and equity, i.e. liabilities on the left side in a balanced manner. There has been a growing trend towards being depicted in the form of a report i.e. a list showing assets displayed with Liabilities and equity are one-sided but in a way that links the sources of funds to their uses by linking the sources of long-term funds (equity and long-term liabilities) to the uses of long-term funds (fixed assets) as well as linking the sources of short-term funds (current liabilities) to the uses of short-term funds (current assets)

2- Income Statement: The income statement or profit and loss statement represents a financial report that measures the success or failure of an entity's operations in a limited period of time. The traditional form of income statement takes the form of an account that shows revenues on the right side while depleted expenses on the left side, while the modern trend depicts the income statement in the form of any statement report in order to take into account the principle of materiality and the principle of appropriate accounting disclosure for income and expense items.

3- Cash Flow Statement: It aims to disclose accounting information related to cash inflows and outflows during the period from which that list is prepared, i.e. receipts and cash payments from operational, investment and financing activities and the effects of those activities on cash.

4- List of changes in equity (Owners' Equity Statement): shows the variables that occurred in the elements of equity (owners) during a certain period of time resulting from additional investments provided by owners of capital or distributions to owners of capital in the form of profits and therefore it measures the owners' equity at the end of the financial period and the value of the variables that occurred during that period.

The concept of financial statement analysis:

It is a process through which a set of quantitative and qualitative indicators about the activity of the enterprise are explored through information extracted from the financial statements and other sources in order to use these indicators after that in evaluating the performance of the enterprise for decision-making. The analysis of financial statements is characterized by several benefits in terms of evaluating the performance of the economic unit and making decisions.

Definition of Financial Statement Analysis:

There are several definitions for analyzing financial statements , including:

Financial statement analysis is defined as "the process of systematic processing of financial statements available for an institution to obtain information used in the decision-making process and evaluate the performance of commercial and industrial institutions in the past and present, as well as to diagnose any existing problem (financial or operational), and predict what the situation will be in the future. (Afaneh, 2017, p. 53) . It was also defined as "a study of the relationship between a group of elements of financial statements in a given period as well as the study of the direction of this relationship in the following period" (Al-Sheikhly, 2012).The analysis of the financial statements also defined "the process of interpreting and understanding the published financial statements in order to diagnose and evaluate the performance of the entity in the light of a full understanding of the foundations of measurement and accounting recognition" (Khenifer and Bishops, 2009).It was also defined as "the study of financial statements after classifying them using quantitative methods in order to show the correlations between their elements and the changes in these elements and the size of the impact of these changes and derive a set of indicators that help to study the status of the facility in terms of operational and financing and evaluate the performance of these enterprises as well as provide the necessary information to the beneficiary parties in order to make sound management decisions" (Mohamed, 2005, p. 12).

From the foregoing through the definitions, the researchers conclude to define the analysis of financial statements as "the process of studying and classifying the elements of financial statements using quantitative methods to reflect the correlations between their elements and changes and their impact, and derive a set of indicators or ratios that help to provide appropriate information that is used in the decision-making process and evaluate the performance of the economic unit."

Objectives of the analysis of financial statements:

Financial statement analysis contributes to achieving many goals in the work environment, including:

1- Knowing the financial situation of the economic unit .

2- Providing a vision of the financial and operational performance of the economic unit.

3- Assessing the ability of the economic unit to pay its debts and short- or long-term obligations.

4- Contributes to the preparation of future plans and activating the role of internal control.

Methods (tools) of analyzing financial statements:

The methods and methods used in the analysis vary based on the objective of the analysis, the nature of the analyzed material and the time period. These methods are horizontal analysis, vertical analysis and analysis using financial ratios, and the following is a statement of each of the three methods:

First: Horizontal Analysis:

It is also known as trend analysis, in which the behavior and trends of the various items in the financial statements are studied , and the changes that occur in them during more than one financial period are monitored , to know the extent of stability or decline in those items and to know the reasons that led to this, which may help to predict the trends of these items in the future. This analysis is based on a horizontal comparison of the same entity's statements, where the same financial statements for a fiscal year are compared with the financial statements of the same entity in another year or years studied.

Second: Vertical Analysis:

Vertical analysis or vertical analysis is carried out within the framework of one period and not two periods, where each item is analyzed from its total, that is, converting the absolute numbers of items in the financial statements into percentages, where each item in a specific group is attributed to the total items of this group by giving the total number 100%, and **this is done by comparing the detailed items with the total items so that the value of each item can be known in relation to the total items. After** extracting the relative weight of all items, these percentages are monitored and the reasons for their rise or fall are known**.**

Third: Analysis using financial ratios:

Financial ratios are used in financial analysis to extract or derive a relationship between the two numbers attributed to each other. These ratios help to identify the status of the entity under analysis. Commercial banks rely on the analysis of financial statements in financial ratios in making the decision to grant credit and, performance evaluation, and rational decision-making.

Definition of financial ratios:

Financial ratios are considered one of the oldest and most important tools of financial analysis, and it works to study the values of the elements appearing in the financial statements and accounting reports in order to add meaningful and important indications to the data contained in these statements. (Mohamed, Ismail, Nour, 2000, p. 52) It is one of the most common methods of analysis in professional life because of the ease of application and the multiplicity of purposes achieved and the basis of this method is to find relationships between the statements of financial statements, provided that this relationship is of significance such as the relationship between current assets and current liabilities to indicate the ability of the institution to pay its obligations in the short term or the current financial period. (Wanassa,2016, p. 30) Financial ratio analysis is one of the most important means of financial analysis and the most widespread and used when making the decision to grant credit, and evaluating performance. Financial ratios related to granting credit, performance evaluation and decision-making will be addressed .

Categories Of Financial Ratio:

Financial ratios are classified into five groups:

First: Liquidity Ratio Group.

Second: - Activity Ratios Group.

Third: Debt Ratios Group.

Fourth: Profitability Ratios Group.

Fifth: Market Ratios Group

It measures liquidity, activity and risk indebtedness ratios, while profitability and market yield ratios have been more important for some time now because they provide us with information (Besley, 2000:95) about the enterprise that is useful in the short-term operations of the enterprise.

Each of the main groups includes several types of financial ratios that reflect certain indicators that can be used to analyze the financial situation of the enterprise, make decisions and evaluate performance.

The group of liquidity ratios, the group of activity ratios, the group of debt ratios, and the group of profitability will be addressed for their relationship to the subject of this study and based on them when making the decision to grant credit, making rational decisions, and evaluating performance.

First: Liquidity Ratio Group

This ratio is considered one of the oldest and most widespread and is used as a criterion to measure the ability of the entity to meet its short-term liabilities from its current assets. It aims to measure the degree of the entity's ability to meet its short-term obligations, and it reflects the short-term financial position on the specified date, as this ratio measures current assets compared to current liabilities. (Michel -2012-11) It can be defined as the company's ability to pay its financial obligations when they are due without experiencing any financial problem. Mohamed, Ismail, Nour, 2000, p. 71). It is also used to measure a company's ability to meet its short-term obligations. The liquidity ratios are as follows: (Badawi, 2006, pp. 299-300). The main measures of liquidity are: -

1-Current Ratio.

2-Fast Liquidity Ratio.

3-Net Working Capital.

1-Current Ratio:

Also called the normal liquidity ratio, it is the most common financial ratio to measure the liquidity of the entity and know the extent of the entity's ability to meet or pay its short-term obligations.The normal liquidity ratio can be obtained by dividing the current assets by the current liabilities. Where a standard value is usually given to this ratio and should not fall below this value, as the acceptable ratio is (2: 1), meaning that the current assets are twice the current liabilities.

2-Fast Liquidity Ratio:

This ratio is used to test the adequacy of cash in the institution in the face of its short-term obligations without having to liquidate its assets of the goods and within these conditions this ratio is a more conservative measure of liquidity than the trading ratio because it is limited to the most liquid assets, and is considered faster than the trading ratio in order to exclude the commodity inventory element from current assets due to the difficulty of converting them into cash in the near term, Where this ratio can be obtained by dividing current assets after excluding commodity inventory by current liabilities. The company's liquidity is acceptable when the result of the rapid liquidity ratio (1:1) is used in industrial and commercial companies, but in the banking sector where it does not have inventory, the quick liquidity ratio is equal to the trading ratio. Analysts are interested in this ratio because the assets of the entity of cash and securities are the most liquid assets and therefore will be relied upon to meet the obligations mainly.

3-Net Working Capital :

Net working capital can be measured by subtracting current liabilities from current assets. This measurement is useful for use for internal control purposes in the enterprise and when obtaining long-term debt, it is often

The loan agreement includes a minimum net working capital that must be maintained by the entity and this condition

Creditors are protected by obliging the entity to maintain good liquidity.

Second: Activity Ratios Group

It measures how efficiently management generates sales from assets available for exploitation, used to measure how efficiently a company manages its current assets. Among the most important and common activity ratios are:

1- The turnover of working capital is equal to net sales over the average working capital

What is meant by total working capital, the total current assets owned by the project on a certain date, as for the difference between current assets and short-term liabilities, it is called net working capital, which achieves for the creditors of the economic unit the safety ratio enjoyed by current obligations, and the higher the rates of working capital turnover, the more the profit margin doubles by the number of times it managed. It is used to judge the efficiency of credit management in an economic unit. On debt collection. The higher the rate, it indicates the improvement of the administration's performance in collecting its debts, and the success of its credit policy.

2- The inventory turnover rate is equal to the cost of sales on the average stock balance

It means the number of times inventory is sold during the year and this measure is used to determine the efficiency of sales management in marketing the products of the economic unit during one year, and that the rise of this indicator through the number of times it rotates shows the efficiency of management in achieving profits.

3- Debtors' turnover rate: This rate is related to credit and liquidity, the higher the turnover rate, the lower the credit period and the higher the liquidity, and this is a good indicator of the efficiency of collection and the low period of indebtedness, thus recycling recovered funds and seizing investment opportunities.

4- The rate of creditors' debts : This ratio means the repayment period granted to the establishment by creditors, and to study the financial situation of the establishment, a comparison is made between the period granted to debtors and the period obtained by creditors, if the granted to debtors is shorter than obtained by creditors, the status of the establishment is good and vice versa. This indicator is used to judge the efficiency of project management to pay its current obligations.

5-Current assets turnover ratio: This ratio reflects the efficiency of management in investing its financial resources (working capital) available in current assets and the efficiency of assets in achieved sales.

Third: Debt Ratios Group:

1- Relative weight of liabilities: This criterion refers to the ratio of external sources of financing to the economic unit.

2- Relative weight of equity/liabilities: This criterion shows the capabilities of the economic unit to guarantee creditors and property rights as well, and it also refers to the ratio of internal sources of financing for the economic unit.

3- Relative weight of capital/liabilities: This criterion refers to the ratio of capital in the sources of financing of the economic unit.

4- Relative weight of reserves / liabilities: This criterion refers to the ratio of reserves in the sources of financing for the economic unit.

Fourth: Profitability Ratios Group:

This indicator receives great attention from new owners and investors because profitability is one of their priorities, there are many measures of profitability, which generally measures the profitability of the company, considering the level of sales, the size of assets, owners' investments and equity. The creditor owners and the management of the company are interested in increasing profits as it protects the company from the risk of bankruptcy. Profitability is generated by two main points:

A- Profitability of invested funds

B- Profitability of sales.

A: - Profitability of invested funds:

It is studied through several ratios:

1- The rate of return on the invested funds. The rise in this ratio is a positive indicator and should not fall below the level of the prevailing interest rate in the market.

2- The rate of return on private funds: Owners and shareholders are interested in it and its rise is a positive indicator, and the rate of return on private funds must be greater than the rate of return on invested capital.

3- Distributed profit rate: It means profits distributed to private funds and is considered to be of weak significance.

4- Self-employment ratio: It shows the extent to which the establishment relies on internal sources to finance the expansions that the establishment wishes to implement.

B- Profitability of sales (revenue strength):

It aims to study the extent of the facility's ability can generate profits through sales, including:

Sales profitability ratio: It shows the ability of one dinar of sales to create (generate) profits.

The edge of total profit: It shows the ability of one dinar of sales to create (generate) total profits

Activity profit edge: It illustrates the ability of one dinar of sales to create (generate) earnings before interest and tax. There is more than one percentage of profitability emanating from this group and the most used of them are: -

1-Gross Profit Ratio**:** This indicator measures the ratio of total profit to sales, and the higher this ratio, the better for the company**.** This ratio reflects the efficiency of management in dealing with the elements of the cost of sales, and the extent of its ability to control and control them by following them up for successive periods of time.

2- Operating profit margin ratios (before interest and taxes) The reason for calculating this ratio before interest, taxes, revenues and other expenses is due to the lack of management control over these elements, and it is considered as a general measure of operating efficiency, as it is noted that the total profit if it remains relatively constant over time with the increase in the operating profit margin, it means that operating expenses rise disproportionately from the activity, Here it is necessary to analyze each expense to find out what huge expenses are and their causes.

From the foregoing, and through a review of the theoretical framework, the researchers conclude that the financial statements, which represent the outputs of the financial accounting system, and that the results of the financial analysis of the financial statements depend on the contents of the financial statements that are analyzed, on the one hand, and the tools and methods of financial analysis used, on the other hand.

The Practical Framework of the Study:

Field Study:

1/ Study population, sample and statistical methods used:

Field Study Population: The study population consists of Saudi banks (11 banks: Al Rajhi Bank, Alinma Bank, Saudi National Bank, Bank Al-Jazira, Riyad Bank, Saudi Investment Bank, Saudi Fransi Bank, Arab National Bank, Saudi British Bank (SABB), and Gulf International Bank), and the reason for choosing banks is due to their importance and leading role in economic development for the Saudi economy, in addition to being part of the sectors listed in the Saudi Stock Exchange (Tadawul). As for the study sample due to its large size The questionnaire was distributed to a number of accountants, auditors, heads of departments, financial analysts, credit supervisors, financial managers who work in these banks, and other categories related to the subject of the study.

Characteristics of the study sample: In order to come up with accurate and reliable results, the study sample was diversified by including the following:

Table (1) - Frequency Distribution of Individuals for the Characteristics of the Study Sample

Percentage	Iteration	Category	Personal data
50.0%	45	25-34 years old	Lifetime
16.7%	15	35-44 years old	
30.0%	27	45-54 years old	
3.3%	3	From 55 years and above	
100.0%	90	Total	
46.7%	42	Bachelor	Academic Qualification
13.3%	12	Master	
33.3%	30	Doctorate	
3.3%	3	Student	
3.3%	3	Credit Coordinator	
100.0%	90	Total	
40.0%	36	accounting	Scientific Specialization
50.0%	45	financing	
10.0%	9	Banking & Financial Sciences	
100.0%	90	Total	
3.3%	3	Head of Department	Job Title

6.7%	6	accountant	
36.7%	33	Credit Supervisor	
10.0%	9	Financial Analyst	
3.3%	3	coordinator	
13.3%	12	Professor	
3.3%	3	Customer Service	
10.0%	9	sales	
3.3%	3	Banker Branches	
10.0%	9	Non-employee	
100.0%	90	Total	
50.0%	45	Less than 5 years	Years of Experience
13.3%	12	From 10 and less than 15 years old	
16.7%	15	From 5 and less than 10 years old	
20.0%	18	15 years and above	
100.0%	90	Total	

Source: Prepared by the researcherTan from the data of the field study, 2024

Table (1) for analyzing the frequency distribution of the characteristics of the study sample shows the following:

The majority of the study sample members are in the age groups (from 25-34 years), where their percentage reached (50%), followed by individuals in the age group (from 45-54 years), where their percentage reached (30%), as well as individuals in the age group (35-44 years), where their percentage reached (16.7%), and finally Individuals in the age group (from 55 years and above), where their percentage reached (3.3%), so these groups indicate maturity and experience and therefore their answers are sound and serve the research.

The majority of the members of the study sample from the academic qualification have a university academic qualification (bachelor's), where their percentage reached (46.7%) as the highest percentage, followed by individuals with a post-university qualification (PhD), where their percentage reached (33.3%), then followed by those with a scientific qualification (master's). Where their percentage reached (13.3%), and it can be said that the study sample is qualified at university and post-university.

While the scientific specialization of the majority of the study sample is (finance) with a percentage of (50%), followed by specialists (accounting) with a percentage of (40%), followed by specialists (financial and banking sciences) with (10%), and it can be said that the high percentage For specialists in thefinance of the study community and therefore they are the most specialized in the field of credit.

The majority of the study sample whose job is (credit supervisor) by (36.7%), followed by those whose job is (university professor) by (13.3%), and we find that the number of individuals who have jobs (sales representative , financial analyst) by (10%) for each category respectively, and the number of individuals whose job is (head of department) (3) An individual and by (3.3%) it we see that the opinions of the sample members are sound for research purposes in terms of specialization in the job.

The number of members of the study sample whose experience (less than 5 years) is the majority by (50%), and we find that the number of individuals with experience (15 years or more) reached (20%), and the number of individuals with experience (from 5 and less than 10 years) reached (16.7%), and finally the percentage of Individuals with experience (10-15 years) (13.3%), and it is noted that the majority of the study sample members have banking experience (less than 5 years).

Field study tool: The researchers relied on a questionnaire form as a basic source to obtain the necessary data from the study sample , and it was designed in a way that is consistent with the objectives of the study and the variables of the study hypotheses.

1 / Description of thequestionnaire: The questionnaire contained an introductory introduction to the subject of the study with a guarantee of the confidentiality of the information provided, and a pledge to use it for scientific research purposes only. Where the questionnaire consisted of two main sections:

The first section: related to the personal data of the members of the study sample, represented in: age, academic qualification, scientific specialization, job title, years of experience.

Section II: The second section concerns the variables of the hypotheses of the study. It includes (30) phrases that measure the view of the sample members on the role of financial statement analysis in making decisions to grant credit in Saudi banks, and these phrases were divided on the hypotheses of the study at a rate of (10) phrases for each of the three hypothesesThe questions have been formulated in the questionnaire so that the answer is converted into quantitative values according to the five-tiered "Likert" scale, which consists of five levels (strongly agree, agree, neutral, disagree, strongly disagree) and takes the range from 1 to 5, so that each answer is given (5, 4, 3, 2, 1) respectively , The closer the answer to (5) indicates high approval of what is stated in the hypothesis in question. (100) questionnaires were distributed to the sample members, and the questionnaires that were retrieved amounted to (90) questionnaires by (90%) subject to analysis.

2 / Stability and apparent honesty of a tool: In order to improve the validity and stability of the tool (questionnaire) was conducted pre-test by arbitration of the questionnaire by members specialized in accounting and finance and have long experience in the field, and their guidance and observations were taken into account.

3 / Statistical stability and honesty:

To calculate the statistical validity and stability of the questionnaire , an exploratory was taken, and the stability and truthfulness of the questionnaire were calculated from the survey sample according to the Alpha Krenbach equation Table (2) shows the results of statistical stability and validity of the answers of the members of the survey sample:

Table No. (2): Statistical stability

Self-honesty coefficient	**Coefficient of stability**	**Number of ferries**	**Hypothesis**
0.934	0.872	10	First hypothesis
0.935	0.875	10	Second hypothesis
0.969	0.939	10	Hypothesis III
0.976	**0.952**	**30**	Total Questionnaire

Source: Prepared by the researcherTan from the data of the field study, 2024

It is clear to the researcher from Table (**2**) that the ratio of the stability coefficient and the self-honesty coefficient according to the Cranbach alpha equation for the statements for the entire questionnaire form are all very high, which gives a good indicator of the strength and sincerity of the questionnaire and the understanding of its phrases by the respondents, and then rely on them in testing the hypotheses of the study.

Statistical methods used: To achieve the objectives of the study and verify its hypotheses, the statistical program (SPSS) was used, which isan abbreviation to the statistical package for the social sciences, and the results of the following statistical methods were used:

- Frequencies and percentages of respondents' answers to statements.
- Alpha Kernbach to calculate the coefficient of stability and statistical truthfulness.
- The arithmetic mean and standard deviation of the respondents' answers.
- Chi Squar Test to test hypotheses.

Data analysis and hypothesis testing:

First, analysis and discussion of the first hypothesis: "There is a statistically significant relationship between the analysis of financial statements using financial ratios and making decisions to grant credit in Saudi banks":

Table (3) - Frequency distribution of the answers of the study sample members for the first hypothesis statement

Degree of approval	Standard deviation	Arithmetic mean	I strongly agree	Agree	neutral	I don't agree	I strongly disagree	Phrases
			Iteration	Iteration	Iteration	Iteration	Iteration	
			Ratio	Ratio	Ratio	Ratio	Ratio	
I strongly agree	0.568	4.57	54	33	3	0	0	Saudi banks rely on analyzing financial statements using financial ratios when making decisions to grant credit
			60.0%	36.7%	3.3%	0.0%	0.0%	
I strongly agree	0.509	4.48	42	45	3	0	0	The internal laws of Saudi banks impose on the analysis of financial statements using
			46.7%	50.0%	3.3%	0.0%	0.0%	

								financial ratios in decisions to grant credit
I strongly agree	0.750	4.30	39	42	6	3	0	The decision to grant credit in Saudi banks depends on liquidity ratios
			43.3%	46.7%	6.7%	3.3%	0.0%	
Agree	0.747	4.17	30	48	9	3	0	The decision to grant credit in Saudi banks depends on profitability ratios
			33.3%	53.3%	10.0%	3.3%	0.0%	
Agree	0.740	4.07	27	42	21	0	0	The decision to grant credit in Saudi banks depends on the leverage ratios
			30.0%	46.7%	23.3%	0.0%	0.0%	
Agree	0.803	3.90	21	42	24	3	0	The decision to grant credit in Saudi banks depends on the activity ratios
			23.3%	46.7%	26.7%	3.3%	0.0%	
I strongly agree	0.728	4.23	36	39	15	0	0	The decision to grant credit in Saudi banks depends on the in-kind guarantees provided
			40.0%	43.3%	16.7%	0.0%	0.0%	

I strongly agree	0.679	4.43	48	33	9	0	0	The decision to grant credit in Saudi banks depends on evaluating the in-kind guarantees provided to ensure their suitability for the credit granted.
			53.3%	36.7%	10.0%	0.0%	0.0%	
Agree	0.629	4.13	24	54	12	0	0	The decision to grant credit in Saudi banks is based on comparing the financial indicators of the customer's activity.
			26.7%	60.0%	13.3%	0.0%	0.0%	
I strongly agree	0.675	4.40	45	36	9	0	0	The decision to grant credit in Saudi banks depends on the credibility and realism of financial ratios
			50.0%	40.0%	10.0%	0.0%	0.0%	
I strongly agree	**0.466**	**4.27**	366	138	108	9	0	Total first hypothesis
			40.8%	46.2%	12.0%	1.0%	0.0%	

Source: Prepared by the researcherTan from the data of the field study, 2024

Table (3) of the results of the first hypothesis shows that (46.2%) of the sample members agree with what was stated in the hypothesis, (40.8%) strongly agree with that, and (12%) are neutral, while (1%) of the sample members do not agree.

As can be seen from Table (3) of the results of the first hypothesis (there is a statistically significant relationship between the analysis of financial statements using financial ratios and making decisions to grant credit in Saudi banks) we find that he obtained an arithmetic mean (4.27) i.e. strongly agree according to the five-point Licart scale. That is, the majority of respondents strongly agree with what came in the terms of the first hypothesis.

2. Analysis and discussion of the second hypothesis: "There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and rationalization of credit granting decisions in Saudi banks":

Table No. (4) Distribution Iterative For the answers of the study sample members to the phrase Second hypothesis

Degree of approval	Standard deviation	Arithmetic mean	I strongly agree	Agree	neutral	I don't agree	I strongly disagree	Phrases
			Iteration	Iteration	Iteration	Iteration	Iteration	
			Ratio	Ratio	Ratio	Ratio	Ratio	
I strongly agree	0.651	4.30	36	45	9	0	0	The results of the analysis of financial statements using financial ratios reflect an accurate and realistic picture of the financial situation in Saudi banks.
			40.0%	50.0%	10.0%	0.0%	0.0%	
I strongly agree	0.651	4.30	36	45	9	0	0	The results of the analysis of financial statements using financial ratios contribute to rationalizing credit granting decisions in Saudi banks
			40.0%	50.0%	10.0%	0.0%	0.0%	
Agree	0.834	4.17	36	36	15	3	0	The results of liquidity ratios are more influential on the decision to grant credit
			40.0%	40.0%	16.7%	3.3%	0.0%	
I strongly agree	0.805	4.20	36	39	12	3	0	The results of profitability ratios are more influential on the decision to grant credit
			40.0%	43.3%	13.3%	3.3%	0.0%	
I strongly agree	0.728	4.23	36	39	15	0	0	The results of leverage
			40.0%	43.3%	16.7%	0.0%	0.0%	

								ratios are more influential on the decision to grant credit
Agree	1.017	4.00	33	33	18	3	3	The results of activity ratios are more influential on the decision to grant credit
			36.7%	36.7%	20.0%	3.3%	3.3%	
I strongly agree	0.675	4.40	45	36	9	0	0	Guarantees in kind provided affect the decision to grant credit
			50.0%	40.0%	10.0%	0.0%	0.0%	
I strongly agree	0.679	4.43	48	33	9	0	0	Using the results of financial ratios contributes to reducing credit risk
			53.3%	36.7%	10.0%	0.0%	0.0%	
I strongly agree	0.563	4.60	57	30	3	0	0	The use of financial ratio results contributes to improving the quality of credit decisions
			63.3%	33.3%	3.3%	0.0%	0.0%	
I strongly agree	0.711	4.33	39	45	3	3	0	Saudi banks rely heavily on analyzing financial statements using financial ratios in making credit granting decisions.
			43.3%	50.0%	3.3%	3.3%	0.0%	
I strongly agree	**0.508**	**4.30**	402	381	102	12	3	**Total second hypothesis**
			44.7%	42.3%	11.3%	1.3%	0.3%	

Source: Prepared by the researcherTan from the data of the field study, 2024

Table (4) of the results of the first hypothesis shows that (44.7%) of the sample members strongly agree with what was stated in the hypothesis, and (42.3%) agree with that, and (11.3%) are neutral, while (1.3%) of the sample members do not agree, and (0.3%) only do not strongly agree.

As can be seen from Table (4) on the results of the second hypothesis (there is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and rationalization of credit granting decisions in Saudi banks), we find that he obtained an arithmetic mean (4.30), i.e. I strongly agree according to the five-point Licart scale. That is, the majority of respondents strongly agree with what came in the terms of the second hypothesis.

3. Analysis and discussion of the third hypothesis: "There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and evaluation of financial performance in Saudi banks":

Table No. (5) - Frequency distribution of the answers of the study sample members for the third hypothesis statement

Degree of approval	Standard deviation	Arithmetic mean	I strongly agree	Agree	neutral	I don't agree	I strongly disagree	Phrases
			Iteration	Iteration	Iteration	Iteration	Iteration	
			Ratio	Ratio	Ratio	Ratio	Ratio	
I strongly agree	0.504	4.57	51	39	0	0	0	Analysis of financial statements using financial ratios contributes to evaluating the financial performance in Saudi banks
			56.7%	43.3%	0.0%	0.0%	0.0%	
I strongly agree	0.563	4.60	57	30	3	0	0	Analysis of financial statements using financial ratios contributes to improving the efficiency and effectiveness of the financial performance of Saudi banks.
			63.3%	33.3%	3.3%	0.0%	0.0%	
I strongly agree	0.785	4.27	39	39	9	3	0	Liquidity ratios contribute mainly to evaluating the financial performance of Saudi banks
			43.3%	43.3%	10.0%	3.3%	0.0%	
I strongly agree	0.621	4.40	42	42	6	0	0	Profitability ratios contribute mainly to evaluating the financial performance of Saudi banks
			46.7%	46.7%	6.7%	0.0%	0.0%	
I strongly agree	0.915	4.30	45	33	9	0	3	Leverage ratios contribute mainly to evaluating the financial performance of Saudi banks
			50.0%	36.7%	10.0%	0.0%	3.3%	
I strongly agree	0.711	4.33	42	36	12	0	0	Activity ratios contribute mainly to evaluating the financial performance of Saudi banks
			46.7%	40.0%	13.3%	0.0%	0.0%	

I strongly agree	0.630	4.50	51	33	6	0	0	The accuracy and soundness of financial ratios contribute to evaluating the effectiveness of the financial performance of Saudi banks
			56.7%	36.7%	6.7%	0.0%	0.0%	
I strongly agree	0.728	4.43	51	27	12	0	0	Analysis of financial statements using financial ratios contributes to improving the quality of financial performance in Saudi banks
			56.7%	30.0%	13.3%	0.0%	0.0%	
I strongly agree	0.504	4.57	51	39	0	0	0	The accuracy and soundness of the analysis of financial statements using financial ratios contributes to improving the quality of evaluating the financial performance of Saudi banks.
			56.7%	43.3%	0.0%	0.0%	0.0%	
I strongly agree	0.629	4.47	48	36	6	0	0	The accuracy and soundness of the analysis of financial statements using financial ratios contributes to improving the quality of evaluating the financial performance of banks.
			53.3%	40.0%	6.7%	0.0%	0.0%	
I strongly agree	**0.538**	**4.44**	**477**	**354**	**63**	**3**	**3**	**Total third hypothesis**
			53.0%	**39.3%**	**7.0%**	**0.3%**	**0.3%**	

Source: Prepared by the researcherTan from the data of the field study, 2024

Table (5) of the results of the first hypothesis shows that (53%) of the sample strongly agree with what was stated in the hypothesis, (39.3%) agree with that, and (7%) are neutral about that, while (0.3%) of the sample members do not agree and only (0.3%) strongly disagree.

As clear from Table (5) of the results of the third hypothesis (there is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and evaluation of financial performance in Saudi banks), we find that he obtained an arithmetic mean (4.44), i.e. strongly agree according to the five-point Licart scale. That is, the majority of respondents strongly agree with what was stated in the terms of the third hypothesis.

II. Analysis and discussion of hypothesis results

First: Kay Squared Test for the results of hypotheses: The role of financial statement analysis in making decisions to grant credit in Saudi banks

Table No. (6) Test (Kay squared) for the significance of differences for hypothesis statements

The first hypothesis: a statistically significant relationship between the analysis of financial statements using financial ratios and making decisions to grant credit in Saudi banks						
M	**Ferry**	**Kay squared**	**Degrees of freedom**	**Tabular value**	**Morale level**	**Significance**
1	Saudi banks rely on analyzing financial statements using financial ratios when making decisions to grant credit	14.6	2	5.99	0.001	Statistically significant
2	The internal laws of Saudi banks impose on the analysis of financial statements using financial ratios in decisions to grant credit	0.034	1	5.99	0.853	Not statistically significant
3	The decision to grant credit in Saudi banks depends on liquidity ratios	19.333	3	7.81	0	Statistically significant
4	The decision to grant credit in Saudi banks depends on profitability ratios	18.8	3	7.81	0	Statistically significant
5	The decision to grant credit in Saudi banks depends on the leverage ratios	2.6	2	5.99	0.273	Not statistically significant
6	The decision to grant credit in Saudi banks depends on the activity ratios	11.333	3	7.81	0.01	Statistically significant
7	The decision to grant credit in Saudi banks depends on the in-kind guarantees provided	3.8	2	5.99	0.15	Not statistically significant
8	The decision to grant credit in Saudi banks depends on evaluating the in-kind guarantees provided to ensure their suitability for the credit granted.	8.6	2	5.99	0.014	Statistically significant
9	The decision to grant credit in Saudi banks is based on comparing the financial indicators of the customer's activity.	10.4	2	5.99	0.006	Statistically significant
10	The decision to grant credit in Saudi banks depends on the credibility and realism of financial ratios	7.8	2	5.99	0.02	Statistically significant
Source: Prepared by the researcherTan from the data of the field study 2024						
Second hypothesis: There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and rationalizing credit granting decisions in Saudi banks.						

M	Ferry	Kay squared	Degrees of freedom	Tabular value	Morale level	Significance
1	The results of the analysis of financial statements using financial ratios reflect an accurate and realistic picture of the financial situation in Saudi banks.	7.8	2	5.99	0.02	Statistically significant
2	The results of the analysis of financial statements using financial ratios contribute to rationalizing credit granting decisions in Saudi banks	7.8	2	5.99	0.02	Statistically significant
3	The results of liquidity ratios are more influential on the decision to grant credit	11.867	3	7.81	0.008	Statistically significant
4	The results of profitability ratios are more influential on the decision to grant credit	14	3	7.81	0.003	Statistically significant
5	The results of leverage ratios are more influential on the decision to grant credit	3.8	2	5.99	0.15	Not statistically significant
6	The results of activity ratios are more influential on the decision to grant credit	16.667	4	9.48	0.002	Statistically significant
7	Guarantees in kind provided affect the decision to grant credit	7.8	2	5.99	0.02	Statistically significant
8	Using the results of financial ratios contributes to reducing credit risk	8.6	2	5.99	0.014	Statistically significant
9	The use of financial ratio results contributes to improving the quality of credit decisions	16.2	2	5.99	0	Statistically significant
10	Saudi banks rely heavily on analyzing financial statements using financial ratios in making credit granting decisions.	22.8	3	7.81	0	Statistically significant
Source: Prepared by the researcherTan from the data of the field study 2024						
Third hypothesis: There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and evaluation of financial performance in Saudi banks						
M	**Ferry**	**Kay squared**	**Degrees of freedom**	**Tabular value**	**Morale level**	**Significance**
1	Analysis of financial statements using financial ratios contributes to evaluating the financial performance in Saudi banks	0.533	1	5.99	0.465	Not statistically significant
2	Analysis of financial statements using financial ratios contributes to improving the efficiency and effectiveness of the financial performance of Saudi banks.	16.2	2	5.99	0	Statistically significant

3	Liquidity ratios contribute mainly to evaluating the financial performance of Saudi banks	16.4	3	7.81	0.001	Statistically significant
4	Profitability ratios contribute mainly to evaluating the financial performance of Saudi banks	9.6	2	5.99	0.008	Statistically significant
5	Leverage ratios contribute mainly to evaluating the financial performance of Saudi banks	17.467	3	7.81	0.001	Statistically significant
6	Activity ratios contribute mainly to evaluating the financial performance of Saudi banks	5.6	2	5.99	0.061	Statistically significant
7	The accuracy and soundness of financial ratios contribute to evaluating the effectiveness of the financial performance of Saudi banks	11.4	2	5.99	0.003	Statistically significant
8	Analysis of financial statements using financial ratios contributes to improving the quality of financial performance in Saudi banks	8.6	2	5.99	0.014	Statistically significant
9	The accuracy and soundness of the analysis of financial statements using financial ratios contributes to improving the quality of evaluating the financial performance of Saudi banks.	0.533	1	5.99	0.465	Not statistically significant
10	The accuracy and soundness of the analysis of financial statements using financial ratios contributes to improving the quality of evaluating the financial performance of Saudi banks.	10.4	2	5.99	0.006	Statistically significant

Source: Prepared by the researcherTan from the data of the field study 2024

It is clear to the researcher from Table (6) the following:

Most of the probability values of the significance corresponding to the value of the chi-square calculated for the significance of the differences between the members of the study sample agree, neutral and disagreeing with what came in the statements constituting the first hypothesis (0.000), which is less than the level of significance (0.05), which indicates that there are statistically significant differences between the answer options of the sample members about the statements of the first hypothesis.

All the probability values of the significance corresponding to the value of the chi-square calculated to indicate the differences between the members of the study sample agree, neutral and disagreeing with what came in the statements constituting the second hypothesis (0.000), which is less than the level of significance (0.05), which indicates that there are statistically significant differences between the answer options of the sample members about the statements of the second hypothesis.

All the probability values of the significance corresponding to the value of the chi-square calculated for the significance of the differences between the members of the study sample agree, neutral and disagreeing with what came in the statements that make up the second hypothesis (0.000), which is less than the level of significance (0.05), which indicates that there are statistically significant differences between the answer options of the sample members about the statements of the third hypothesis.

Second: Proving the validity of the overall hypothesis:

Table No. (7) :Summary of chi-squared test results for the significance of differences for all hypotheses

Significance	Morale level	Tabular Summit	Degrees of freedom	Kay squared	Ferry	M
acceptance	.000	5.99	2	50.211	**First hypothesis**	1
acceptance	.000	7.81	3	46.308	**Second hypothesis**	2
acceptance	.000	7.81	3	45.237	**Hypothesis III**	3

Source: Researcher Tan Numbers from Field Study Data , 2024

1. It is clear to the researcher from Table No. (7) and through the value of the square chi calculated to indicate the differences between the members of the study sample agree, neutral and disagreeing with what came with the hypothesis of the first study, which reached the value of moral (0.00), which is less than the level of significance (0.05) at the degree of freedom (2), which indicates the existence of statistically significant differences in favor of strongly agreeing. "THERE IS A STATISTICALLY SIGNIFICANT RELATIONSHIP BETWEEN THE ANALYSIS OF FINANCIAL STATEMENTS USING FINANCIAL RATIOS AND MAKING DECISIONS FROM CREDIT IN SAUDI BANKS." has been validated.

2. It is clear to the researcher from Table No. (7) and through the value of the square chi calculated to indicate the differences between the members of the study sample agreeing and neutral and not agreeing with what came with the hypothesis of the second study, which reached the value of moral (0.00), which is less than the level of significance (0.05) at the degree of freedom (3), which indicates the existence of statistically significant differences in favor of strongly agreeing. "THERE IS a statistically significant relationship between the results of the analysis of financial statements using financial ratios and rationalizing credit granting decisions in Saudi banks." has been validated.

3. It is clear to the researcher from Table No. (7) and through the value of the square chi calculated to indicate the differences between the members of the study sample agree, neutral and disagreeing with what came with the hypothesis of the third study, which reached the value of moral (0.00), which is less than the level of significance (0.05) at the degree of freedom (3), which indicates the existence of statistically significant differences between the answers of the sample members and in favor of the strongly agreed. " THERE IS a statistically significant relationship between the results of the analysis of financial statements using financial ratios and evaluation of financial performance in Saudi banks." has been validated.

RESULTS AND RECOMMENDATIONS

First: Results:

After studying the theoretical aspect, and the field study, the validity of all the study loans was proved, and the following results were reached:

1- Commercial banks in the Kingdom of Saudi Arabia rely on analyzing financial statements when making the decision to grant credit.
2- There is a statistically significant relationship between the analysis of financial statements using financial ratios and rationalizing credit granting decisions in commercial banks in the Kingdom of Saudi Arabia.
3- There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and rationalizing credit granting decisions in commercial banks in the Kingdom of Saudi Arabia.
4- Analysis of financial statements using financial ratios contributes to improving the efficiency and effectiveness of the financial performance of commercial banks in the Kingdom of Saudi Arabia.
5- The accuracy and soundness of the analysis of financial statements using financial ratios contribute to improving the quality of evaluating the financial performance of commercial banks in the Kingdom of Saudi Arabia.
6- There is a statistically significant relationship between the results of the analysis of financial statements using financial ratios and the evaluation of the financial performance of commercial banks in banks in the Kingdom of Saudi Arabia.

Second: Recommendations:

Based on the results reached, the researchers propose the following recommendations:

1- The need for commercial banks in the Kingdom of Saudi Arabia to pay attention to analyzing the financial statements when making the decision to grant credit.
2- The necessity of activating the analysis of financial statements in financial ratios when making the decision to grant credit in commercial banks in the Kingdom of Saudi.
3- The necessity of constantly training and qualifying bank employees to hone their skills and knowledge in the field of granting credit.
4- It is necessary to conduct studies on bank credit risks, their causes, and how to treat them.
5- Conduct further research on the analysis of financial statements and the decision to grant credit due to the importance of the subject.

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