FINANCIAL PERFORMANCE ANALYSIS OF NEPALESE FINANCE COMPANY

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Master of Business Studies (MBS)

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled Financial Performance Analysis of Nepalese Finance Company. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Purnima Mainali has defended research proposal entitled **Financial Performance Analysis of Nepalese Finance Company,** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dr. Dilli Ram Bhandari and submit the thesis for evaluation and vice-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **Financial Performance Analysis of Nepalese Finance Company** presented by Ms. Purnima Mainali candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva-Voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

ATM	=	Automated Teller Machine
BAFIA	=	Banking and Financial Institution Act
C.D.	=	Coefficient of Variance
Contd.	=	Continued
Dr.	=	Doctor
e.g.	=	For example
ed.	=	Edition
Etc.	=	Etcetera
FOM	=	Faculty of Management
FY	=	Fiscal Year
GWF	=	Good will Finance
i.e.	=	That is
JVB	=	Joint Venture Bank
MFL	=	Manjushree Finance ltd
NBL	=	Nepal Bank Ltd.
No.	=	Number
NRB	=	Nepal Rastra Bank
PP.	=	Page number
Prof.	=	Professor
Pvt.	=	Private
RFL	=	Reliance Finance Limited
S.D.	=	Standard Deviation
S.N.	=	Serial Number
SCBNL	=	Standard Chartered Bank Nepal LTD
T.U.	=	Tribhuvan University

ABSTRACT

Nepal's finance sector has expanded significantly. Because they can raise more money, Finance Company has an edge in offering a wide range of financial services to its clients. The primary aim of this research is to identify the factors that influence the financial performance of finance companies in Nepal. Additionally, the study aims to investigate the impact of internal variables and finance-specific features on the financial achievement of these companies. Therefore, it may be concluded that the size of the finance sector has little bearing on its financial performance.

The benefit of capitalization suggests that Nepali finance companies have enough easily covered assets to meet both short- and long-term obligations. The volume of credit deposit ratio significantly and favorably affects the financial performance volumes of Nepali finance companies. Additionally, the results demonstrated that interest rates had a favorable and considerable impact on customers' return on assets. The study's conclusions showed that there is an inverse link between the total amount of loans given by the finance company and the spread in finance interest rates, meaning that high interest rates deter borrowing and conversely. Additionally, there is proof of a substantial negative correlation between the loan and advance amounts made by Nepalese financial companies and the average interest rate spread.

Therefore, as the rate of financial success rises, the private sector experiences a decline in financial performance. The study's conclusions demonstrated that the size of the finance company and the overall credit-deposit ratio have a significant impact on the loans and advances made by the finance company. The main asset and source of income for finance companies is their loan portfolio, so they should invest more money in it. Finance will be able to effectively and sustainably meet its liquidity commitment to its borrowers by doing this.

Key Word: ***Financial Performance Analysis of Nepalese Finance Company***

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Financial performance analysis is an essential strategy for businesses to provide its operators with incentives and constraints, and it serves as an essential channel for business stakeholders to obtain information on performance (Sun, 2011). The assessment of a commercial bank's performance typically revolves around the bank's ability to utilize its resources, liabilities and equity of shareholders, income, and costs. Depositors, investors, bank managers, and regulators all find value in the performance reviews of banks. The financial ratio approach is typically used to evaluate a company's performance because it offers a concise summary of the company's financial performance relative to prior periods and enhances the effectiveness of management (Linnet al, 2005).

Financial performance analysis is a study or relationship among the various financial factors is business as disclosed by a single set of statement and a study of the trend of this fact as shown in a series of statements (Abuja, 1998). By establishing a strategic relationship between the item of balance sheet and income statement and other operation data, the financial analysis unveils the meanings and significance of such items financial performance analysis is a process of evaluating the relationship between components parts of a financial statement to obtain a better understanding of a firm's position and performance (Metcalf & Tatar, 1996).

Since, many elements affect an organization's growth, survival, and prosperity. These are the elements that every organization should be most concerned about. However, a company's financial operation system is one of the key factors that determine how well it operates. It is crucial to examine the accounting and financial statement to determine whether the financial position is healthy and what steps should be taken. The company achieves its ultimate goal when its financial resources are used to their fullest potential. A number of private banks have opened in recent years as a result of the government's liberal economic policies. The foreign joint venture bank is benefiting from an edge over competitors.

According to a number of studies (Mckinnon, 1973; Levine, 1997), the ability of a financial system to lower information and transaction costs is a key factor in influencing investment choices, savings rates, and technical advancements, all of which affect the pace of economic growth. According to Zeinab (2006), banking institutions in developing nations continue to be essential parts of overall economic systems and are crucial to any endeavor aimed at promoting development. (Padachi, 2006) financial performance is the process of measuring the result of an organization policies and operations in terms of monetary value. These results are reflected in the firm's profitability, liquidity or leverage. Evaluating the financial performance of business allows decision makes to judge the results of business strategies and activities in objective monetary term. Normally the ratios are used to determine the financial performance an organization. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value.

The capital adequacy ratio is a crucial metric for assessing the soundness of banks and other financial institutions. Capital adequacy is the measure of how much equity is sufficient to cushion any unexpected events to the bank (Kosmidou, 2008). The risk-weighted exposures of the banks determine the minimum capital adequacy requirements (NRB, 2010). While asset quality analysis considers the possibility that a borrower will repay a bank loan, credit risk is one of the factors that directly impact a bank's health. The quality of the assets that each bank has determines how much credit risk it carries.

The financial ratio approach is typically used to assess a company's performance because it gives a brief overview of the company's financial performance in relation to prior periods and aids in enhancing managerial performance (Linetal, 2005). Ho and Zhu (2004) have reported that the evaluation of a company's performance has been focusing the operational effectiveness and efficiency, which might influence the company's survival directly.

Lending money and taking deposits in order to offer payment, liquidity, and credit intermediation services are the main operations of commercial banks. The soundness and expansion of the economy depend on the financial infrastructure's base. Research indicates that marketplaces and financial institutions are crucial for economic expansion.

Shares, securities, and bank deposits are significant types of financial investments in cities (Narayan, 1976). Banks are the backbone of every economy; they receive savings largely in the form of deposits and give funding mostly in the form of loans. They act as intermediary for directing savings into investments. According to Mudra-SAMIR (1992), working women in urban India set aside 20% of their income for savings. They are enabled to lend to corporations at affordable rates because they have access to low-cost deposits (Pathak, 2005).

In contrast to the capital markets, where investments are based on investor knowledge and are therefore risky for the customer, banks work closely with their clients and obtain the information needed from them during the process of providing funds to the clients who approach them. They also set up covenants that benefit both the bank and the clients. Studies reveal that savings are kept in banks when investors choose alternative investment medium. In the context of Nepal as per existing policy, there are four types of financial institution. These are licensed by NRB and classified as A for commercial banks, B for development banks, C for financial companies and D for micro finance institution. Commercial banks in Nepal cab are categorized as public, private and joint ventures. Their main job is to accept deposits from the surplus user of fund and to available the fund to the deficit user of fund as a loan. Now there are 20 commercial banks, 17 development banks and 17 finance companies in Nepal. As well as these banks are provides remittance, card facility, letter of credit, bank guarantee and soon. For the development of the country saving and investment is most necessary which is managed by banks. It helps to increase investment in the agricultural, trade, industry and deprived sector which helps to accelerate the economic growth of the nation. Nepalese finance sector has been facing some challenges and need for proper plans and policies for coming decade to tackle the challenges. So it is the duty of NRBs a central bank to ensure the stability and soundness as well as public confidence in banking system from both depositor and investor by proper regulation, supervisor and control.

1.2 Problem Statement

Evaluation of financial performance of the banking sector is an effective measure and indicator to check the soundness of economic activities of a nation. The main objective of the financial institution (FI) is to increase its return for their owner which often comes, however at the cost of various increased risk like credit risk, liquidity risk, interest rate risk, market risk, off balance sheet risk, foreign exchange risk, country risk, technology risk, operational risk and insolvency risk among some other risk. The government owned banks in Nepal are almost running in loss. It is very difficult to say the private sector banks sound though they are earning profit since they may be exposed to aforesaid risk. Question is being raised over the validity of their balance sheet and profit and loss account.

Due to the economic recession in the nation, there has been lower investment in the agricultural, manufacture, industrial and financial sector which has caused lower growth of gross domestic product and hence foreign trade deficit is increasing day by day. The finance companies are also facing this economic changes and difficulties in extending their loan and advances towards the profitable sector. Because of economic recession, only few entrepreneurs are able to survive and other, who are less competitive are finance out from industry. In this situation, banks invest their surplus funds in the non-risky portfolios like treasury bills, organization securities, which yield lower rate of returns in comparison to credit to be in safer side. The performance of a finance organization is obviously better if its profits are higher and the risk is lower. In practice, high profit generally necessities accepting greater amount of risk, there are many dimension of risks encompassing credit, intent rate, liquidity etc. the net effects of these types of risk are reflected in the number of banks failure which has become problems and subject to increased supervision by the regulatory authorities. He has pointed out that major factors affecting performance. These are advance in technology, more sophisticated customer, securitization and deregulation. The study's conclusions give private commercial banks pertinent knowledge on areas of their financial performance both its strengths and weaknesses that require improvement. Additionally, it provides regulatory bodies, shareholders, investors, and managers with information regarding the present circumstances and performance of finance firms. Additionally, it will serve as a resource for scholars who wish to go deeper into the field of inquiry.

a. What is the current status of financial performance of Nepalese finance company?

b. Is there any relationship financial performance and profitability in Nepalese Finance Companies?

c. What is the impact of capital adequacy, assets quality, management, earnings and liquidity on return on assets (ROA) and return on equity (ROE)?

1.3 Objective of the Study

The main objective of this study is to analyze the financial performance of finance companies of Nepal and other specific objectives are as follows. For above purpose the following points has considered in the research.

a. To examine the current status of financial performance of Nepalese finance company.
b. To analyze the relationship between financial performance and profitability in Nepalese Finance Companies.
c. To analyze the impact of impact of capital adequacy, assets quality, management, earnings and liquidity on return on assets (ROA) and return on equity (ROE).

1.4 Rational of the Study

To analyze the impact of financial performance The study's conclusions give private commercial banks pertinent knowledge on areas of their financial performance both its strengths and weaknesses that require improvement. Additionally, it provides regulatory bodies, shareholders, investors, and managers with information regarding the present circumstances and performance of finance firms. Additionally, it will serve as a resource for scholars who wish to go deeper into the field of inquiry.Finance sector has been one of the major contributors of national providing variety of disbursement to different sectors, enabling to boost the GDP. Hence, the performance of this sector needs to be above the par to any other field. The financial performance of finance sector should be very much capable in enhancing the capital market as well. This research is a conclusion oriented research. This study helps to know the financial performance at ICFC finance, Goodwill Finance and Nepal Finance Limited. This study will also helpful as a literature for the future study about the relating topics. A part from this, the institution and firm can allow the suggestion of this study to make their policy and strategy more practical and scientific. The financial statements do not convey any meaningful understanding. It needs to be analyzed and interpreted to know the financial performance at the finance companies. The study will be beneficial to different parties concerned with two finance companies as well as other interested parties especially it will be beneficial to management, lender and borrower, policy maker, concerned parties and customer of these finance companies.

1.5 Limitations of Study

This research explains and analyzes the subject matter with the help at well-known or already established analytical method and techniques, therefore as a conclusion oriented research. It does not much concern with the fundamental and decisions oriented research. The limitations of the study are as follows:

- The whole study is only based on secondary data.
- Based on the specific purpose of this study, out of finance companies this study covers only three finance companies.
- The study has analyzed the data only of the period of ten year from fiscal year from 2011/012 to 2020/021.
- The study is only concentrated in financial performance analysis and its variables are ROA, ROE, total assets, total deposit, interest income, liquidity, capital adequacy ratio and loan and advance only.

CHAPTER-II

LITERATURE REVIEW

Prior to this study, a number of academics had previously discovered other studies about the financial performance of financing companies. Only pertinent topics are reviewed in this study, and they are as follows:

2.1 Conceptual Review

Financial Performance

Financial performance analysis is the core of financial decision-making is financial performance analysis. Any enterprise's ability to expand and thrive is strongly impacted by its financial practices. Determining the effectiveness and success of the company's management as seen in the financial records and reports is the aim of this kind of analysis. Maintaining relationships with banks and other financial institutions, raising the necessary finances, and keeping accurate records are all too important for a rational evaluation of the financial performance of financial management. The primary determinant of the firm's success or failure is its financial performance as a component of its financial management. A company's finances should be solid from the perspectives of its investors, holders of debentures, financial institutions, and the country at large. The analyst is trying to gauge the company's profitability, liquidity, and other signs that operations are carried out in a logical and systematic manner. Analysts identify deviations when a company fails to meet industry-standard financial benchmarks or acceptable correlations between data points. The burden of explaining the apparent problems may then be placed upon management (Hampton; 2006).

Financial statement analysis includes the study of relationship within a set of financial statement at a point in time and with trends in these relationships over time (Foster; 2002). Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account (Pandey; 1999).

A powerful and the most tested tool of financial analysis is the ratio analysis. It is defined as the systematic use of ratio to interpret the financial statement. So that, the strengths and weakness of a firm as well as its historical performance and current financial condition can be determined (Khan & Jain; 1991).

The major functions of financial management are raising funds, investing them in assets and distrusting return earned from assets to shareholders, which are respectively known as financing investing and dividend decision. While performing these functions a firm should balance cash outflow and inflow, which is known as liquidity decision (Pandey; 1999).

Financial management in broad sense and provide a conceptual and analytical framework for decision making they also covers both acquisitions of funds as well as their allocation of funds to various uses. Their major decisions are investing decisions, financial decisions and the dividend policy decision (Khan and Jain; 1991).

Ratio analysis is a powerful tool of financial analysis. A ratio is defined as "the indicate quotient of two mathematical expressions and as the relationship between two or more things. In financial analysis a ratio is used as a benchmark for evaluating the financial position and performance of a firm (Pandey; 1999).

Ratio analysis is the process of determining and interpreting numerical relationship based on financial statements. A ratio is a statistical yardstick that provides a measure of the relationship between two variable and figures. This relationship can be express as percent (Cost of goods sold as a percentage of sales) or as a quotient (current assets as a certain number of times the current liabilities) (Kuchhal; 2003).

Financial ratio can be divided into four types: liquidity debt, profitability and coverage. Each of these types has a special use for the financial analyst. These ratios are also helpful for managerial control and for providing a better understanding of what outside suppliers of capital expect in the way of financial condition and performance. The usefulness of the ratio depends upon the ingenuity and experience of the financial analyst who employs them. By themselves financial ratios are fairly meaningless they must be analyzed on a comparative basis.

Purpose of Financial Analysis

Financial analysis is a study of relationship among the various financial factors and pinpointing the strength and weakness of a firm so that forecast may be made of the prospects for future earnings. In the recent time financial analysis has played an increasing important role as a tool of examining the real worth of going concern which is one of the important assumptions of fundamental accounting assumption.

Financial statements are usually analyzed with the help of financial tools and financial ratios are out of the primary tools. The term ratio refers to the numerical and quantities relationship between two variables. Important ratio can be calculated from the balance sheet and profit and loss account (Kereta, 2009).

Financial analysis is helpful in assessing the financial position and profitability of business concern. The analysis of financial statements thus refers to the treatment of the information contained in the financial statement in a way so as to afford full diagnosis of the profitability and financial position. Financial analysis is helpful to the decision maker for finding out favorable situation of a business concern. Therefore financial analysis reflects the financial position of a firm, which is the process of determining the operational and financial characterizes (Kereta, 2009).

Financial performance decisions generally are fraught with a great deal of risks, which calls for a great deal of caution and tact in this aspect of banking operations. The success of every financial performance activity to a great extent therefore, hinges on the part of the credit analysts to carry out good credit analysis, presentation, structuring and reporting (Ezirim, 2005).

Financial performance management is the most critical factor in determining the strength of any bank. Primary factor that can be considered are quality of loan portfolio, mix of risk assets and credit administrations system. However, advancing loans is one of their major functions. Bank loans contribute a lot of the growth of new business, which ultimately improves the economic health of the country. The role of bank loan in the economic development of the country is of great value. Normally, banks loans in fours form namely overdraft, cash credit, direct loan and discounting bills of exchange. Loans and advances constitute a major portion of the assets of a bank and the interest income earned form loans and advances are major contributors to a bank's profit. There are certain aspects of fiscal and monetary policies which could affect the decision of the discerning and informed public to patronize the bank and the financial performance management of commercial banks, (Chizea, 1994).

Paramount amongst these measures is that could be called the interest rate disincentive. Interest rates have been so low in the country that they are negative in real terms". Some literatures found bidirectional causality between them and some others found unidirectional causality from economic growth to bank financial performance. Anyway, it can be said that economic growth is considered as one of the major determinants of bank credit. Real output causes financial development, but not vice versa. Increase in gross domestic product means rise in agricultural, industrial, hydro electricity, infrastructure and several other economic activities which need increase in bank credit on the one hand. On the other hand, increase in national income leads to increase in deposits. Therefore economic growth impacts positively the bank credit. The case of unidirectional causality from the real sector to the financial sector, (Oluitan, 2012).

The evidence of unidirectional casual relationship from GDP to private sector credit inflation is another determinant of private sector credit of banks. There are various views expressed in the literature regarding that impact of inflation on real private sector credit. Some authors argue that inflation has negative impact on bank credit where as some advocate in favor of positive impact of inflation. Bank loans have a significant impact on the nation's economic progress. Bank loans often come in four forms: discounting bills of exchange, direct loans, cash credit, and overdrafts. A bank's profit is mostly derived from the interest revenue produced on its loans and advances, which make up a large amount of the bank's assets. The bank cannot achieve the desired return on loans and advances if its loan asset turns out to be non-performing or poorly liquid. Therefore, efficient loan management is essential. Loan management is a process involving follow up, credit renew and settlement of loan. The bank has to establish and use standards in making loan decision develop appropriate source of loan information and methods of credit analysis. The bank has to consider five criteria while financial performance loan such as character, capacity, capital, condition and collateral of the borrower, (Timsina, 2014:63).

For instance, bank financial performance channel theory only looks at the effects of reserve requirements while pro-concentration theory focuses on how bank capitalization affects the bank's financial performance. Alternatively, financial performance reduces through monetary contraction as posited by the Keynesian theory. This implies credit available from the banks is reduced. Further, within finance literature, there exits several theories with regard to banks' financial performance, (Kashyap, 1993:65).

In this study, the theories reviewed are summarized as follows:

A. Loan pricing theory

This asserts that banks cannot always set high interest rates. Therefore, in trying to earn maximum interest income banks should consider the problems of adverse selection and moral hazards since it is very difficult to forecast the borrower type at the start of the banking relationship given the high credit market information asymmetry. If banks set interest rates too high, they may induce adverse selection problems because high risk borrowers are willing to accept these high rates. Once these borrowers receive the loans, they may develop moral hazard since they are likely to take a highly risky projects or investments (Chodecal, 2004:91).It argued that at times it may be difficult to find interest rate set by bank which commensurate with the risk of the borrowers. This theory suggests that loans advanced to the public may or may not increase in the end.

B. Credit Market Theory

The neoclassical credit market model suggests that the terms of credits clear the market. In this model, the interest rate is the only price mechanism that can clear the credit market given that the loan collateral remains constant. With a growing demand for credit and a given loan and advances supply by the banks, the interest rate can only rise if the credit market is clear, and the reverse is true. The higher the default risks of the borrower, the higher the interest premium (Ewert, 2000:314) so as to compensate against any possible losses. The increase in demand for credit brought about by low interest rates eventually may lead to depreciation of currency. Central bank therefore must adjust the interest rate to increase the cost of borrowing. Commercial banks in their turn must increase their rates and therefore thus contracting their financial performance activities in the long run. Although, central bank requires banks to deposit a certain amount of money with them, increased cash requirement ratio also acts as a mechanism of restricting credit available taking consideration of macro-economic. This leaves commercial banks with close to no alternative other than lowering financial performance volumes, (Bolton and Freixas, 2001:62).

C. Moral Hazard Theory

Moral hazard occurs when a contract is executed among two parties. The two types of moral hazard are hidden information and hidden action. Hidden information occurs when one contract party does not unveil the full range of his or her options and the consequent risk factors. Hidden action occurs when one contract party chooses options that are not in the interest of the counterparty and cannot be observed and managed thus moral hazard may arise .In relation to credit markets and analyzing the lender- borrower relationship in more detail, the financial institutions may not have the capacity to ensure that the borrower invests the borrowed loan in productive investments and as a result of this information asymmetry, the borrower may decide to invest in risky projects leading to defaulting, (Diamond,2006:98).

2.2 Empirical Review

2.2.1 Review of Literature in International Context

Alsamhi, Al-Ofairi, Farhan, Alahdal & Siddiqui (2022) studied on impact of Covid-19 on firms' performance: Empirical evidence from India. The goal of the current study is to investigate how the COVID-19 epidemic has affected the financial performance of a few chosen Indian industries. The study focuses on all Indian companies that are listed on the Bombay Stock Exchange and fall under the following industry categories: consumer goods, construction, tourism and hospitality, and food. Data from 444 businesses in four industries were used from the Prowess database for this study. 73 firms were removed from the study due to missing values. As a result, 371 firms make up the study's final sample. The tourism, hotel, and consumer industries' total income, net sales, net profit, earnings per share, and diluted earnings per share before and after the pandemic were found to have significantly changed. The study's conclusion indicates that there was a notable variation in construction's total income net sales before and after the pandemic. The drop in net sales and total income during the epidemic in both industries differs. On the other hand, there is no discernible difference between earnings and net profits. The result of the study states that there is a significant difference in total income net sales before and after the pandemic in construction. There is a difference in the decline in both sectors' net sales and total income during the pandemic. Conversely, there is no significant difference between net profits and earnings.

Alardi and Altass (2021) examined on transparency index as a preface to support financial reports transparency and to increase shareholder protection level. In order to meet the needs of financial report users for information, it is necessary to support the level of transparency of financial reports by organizing voluntary disclosure using a proposed Transparency Index. The study aims to demonstrate the detrimental effects that a lack of transparency has on users of financial reports. The study also attempts to ascertain the nature of the relationship between the financial performance and the degree of shareholder protection in the Egyptian Exchange and the transparency of the financial report. It is verify the validity of the study hypotheses, the we conducted the Experimental Study through applying it to the Egyptian Exchange Index companies EGX50 after excluding the Financial Institutions through examining the financial statements, the attached Notes, the Board of Directors report, the governance report and the sustainability report for the EGX50 index companies for a period of three years 2016, 2017, 2018. The foregoing confirms the need to support both the level of transparency and the level of shareholder protection through the application of the proposed Transparency Index. The research also suggests a transparency index that enables meeting the majority of the information needs of financial report users. This brings us to one of the study's most significant topics: measuring the transparency level of financial reports on the Egyptian Exchange and determining the impact of supporting transparency level on financial performance as well as on supporting protection level of shareholders. The value of research is often highlighted in the context of the scant accounting literature pertaining to evaluating the Egyptian Exchange's financial report transparency and demonstrating the benefits to financial performance and shareholder protection that arise from promoting the level of financial report transparency. These findings, in the opinion of the authors, can contribute to the ongoing discussion regarding the Egyptian Exchange's transparency and shareholder protection policies.

Ibrahim and Nawaiseh (2021) observed on the impact of the financial performance on firm value: evidence from developing countries. This paper's primary goal is to look into how financial performance affects the value of Jordanian industrial companies that are listed on the Amman Financial Market (AFM). The forty businesses that are listed on the AFM website make up the study's sample. In Jordan, they account for 71.4% of all industrial enterprises between 2010 and 2019. The study's hypotheses are tested using regression. Financial success is measured using Tobin's Q and operational efficiency measures (gross profit and operating expenses). According to the study, financial performance has a statistically significant effect on the values of the enterprises. This is so that stakeholders may make informed decisions, as performance measurement is crucial for estimating a firm's worth. The purpose of this study is to determine whether it is preferable to assess FP, TQ, gross profit/total assets (GP/AT), or operating costs/total assets (OE/TA). It also seeks to determine the impact of FP on FV. Within the methods part, the investigator addresses the study suggests that, in addition to the TQ index, managers, stakeholders, and investors should focus on utilizing the relevant indicators that the researchers have established to assess financial performance, such as operating efficiency indicators. The study's variables, population, measurement methods, statistical methods, test of the hypotheses, findings, and commentary. The research made use of secondary data. It was extracted from company financial statements, which are based on the AFM website. During the study period, there were adverse economic conditions that had an adverse effect on the output of several industries. Three indicators were employed in the study to calculate financial success; other elements, such as management ownership, that affect firm value were not taken into consideration. The study relied on secondary data. It has been taken from firms' financial statements, which is founded on the site of AFM. There is a bad economic condition have been happened within the period of the study, they had left negative impacts on the industries' output. The study used three indictors to compute the financial performance; it ignored the factors that have an impact on the firm value, Such as, the ownership of the managers.

Pandian and Narendran (2021) analyzed on impact of financial performance indicators on profitability. Most of the organizations use financial data to allocate resources to their various departments. Hence to assess the financial health of an organization, analyzing the financial data and financial performance indicators become crucial. This paper deals with the impact of financial performance indicators on profitability of a textile industry. Indian textile industry is the second largest employment generating sector, next to agricultural sector. Financial analysts often assess firm’s production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. Tests of hypothesis-t and linear multiple regression analysis have been applied as statistical metrics. By appropriately establishing linkages between the components of the balance sheet and profit and loss account, the financial performance analysis determines the firm's strengths and weaknesses in terms of finances. Therefore, it is imperative that the firm's liquidity, profitability, and other key performance indicators be measured in this paper to guarantee that company operations are rational and normal and that shareholders receive sufficient returns to preserve the firm's market value. In order to comprehend how financial management is essential to the expansion of clothing companies, researchers have analyzed the financial performance of these businesses.

Wardhani, Rosalina, Elvany and Awaluddin (2021) analyze on banking financial performance during Covid-19. Every organization has had to enhance its business processes in order to withstand the pandemic, maintain smooth operations, and provide optimal financial performance. A metric for characterizing a company's financial health is its financial performance. The DuPont system approach was used in this study to measure financial performance. In order to understand the impact of the pointers contained in the DuPont framework strategies specifically, Net Benefit Edge (NPM), Total Asset Turnover (TATO), Financial Leverage Multiplier (FLM), Return on assets (ROA), and Return on Equity (ROE) it is necessary to analyze differences in money-related execution that occurred recently and during COVID-19. The population of this study is Indonesia Stock Exchange (IDX), a listed banking sector firm for the years 2019-2020. The sample used in this study was selected using a purposive sampling strategy to include up to 23 banking institutions. Data in this study was evaluated using Wilcox's signed-rank test methodology. The test result demonstrates that there was no difference in the banking sector's financial performance before or after COVID-19. As a result, during a pandemic, banks are still able to preserve their financial stability.

Ntow Gyamfi Matthew & Laryea Afoley Esther (2021) examined on A Financial Performance Comparison of Foreign VS Local Banks in Ghana. Using data from 2005 to 2010, evaluate the performance of local and international banks in Ghana based on the following metrics: capital adequacy, asset quality, return on equity, management effectiveness, earning performance, liquidity, and bank size. Using data from 2005 to 2010, the researcher employed the following dimensions: return on equity, return on assets, asset quality, capital adequacy, management effectiveness, earning performance, liquidity, and bank size. Local banks in Ghana are performing better than international banks due to various disparities in the ratios for the two types on both return on equity and return on assets. The capital adequacy ratio of foreign banks is higher than that of domestic banks. In Ghana, foreign banks have better quality assets than local banks do, specifically loans. In Ghana, local bank management is more effective than foreign bank management. In terms of net interest margin, foreign banks are more profitable than Ghanaian local banks. In Ghana, foreign banks have greater liquidity than domestic banks. In Ghana, foreign banks often have a wider footprint than domestic banks.

Saad and Zhengge (2020) observed on the impact of organizational factors on financial performance. The purpose of the article is to investigate the relationships between organizational characteristics such as company size, market share, liquidity, leverage, and asset utilization and financial performance in service companies. Return on equity (ROE) and return on assets (ROA) are used by the study as dependent variables in the linkage analysis to evaluate financial performance that results from the presence of the specified organizational elements. The financial success of service companies is a crucial factor since it shows how well the management is doing their job. Furthermore, service firms often have lower productivity growth than manufacturing organizations; as a result, the literature has extensively studied the relationship between the organization of variables in manufacturing firms and financial performance. This raises the question of whether organizational characteristics and managerial strategies that have improved the financial performance of manufacturing organizations can likewise be used to explain the financial performance of service firms. Management as well as the individuals and groups within the organization that contribute to the company's financial objectives are measured by the financial performance of the business. For the firms, the suggested research framework may have some useful applications. With a comprehensive understanding of organizational factors and the ability to undertake appropriate research to determine the true nature of these aspects, managers can benefit from the paper's outcomes.

Dalayeen (2019) examined on financial performance appraisal of selected companies in Jordan. A company's capital structure, costs, revenue, and resulting profit margin are some of the aspects that affect its financial performance. Return on assets, sales, equity, and other financial variables are the best measures of a company's financial performance. The present investigation examines the performance of a subset of Jordanian enterprises based on many criteria, including profitability, asset utilization, performance growth, financial strength, and capital structure. The nature of the relationships between the different components of financial success has also been attempted to be determined by the researcher. The study's goals include giving a brief overview of the history of the chosen Jordanian businesses. Its purpose is to elucidate the profitability status of the chosen companies in Jordan and examine the influence of financial ratios on such profitability. The study's foundation is secondary sources of data gathered over the course of the previous thirteen years, from 2010/011 to 2018/019. These sources are the published annual reports of the chosen companies. Additionally, the information was gathered via articles that were posted online and in a variety of business journals and newspapers. The effect of financial ratios on the chosen companies' financial performance has been examined using multiple regressions. A comparison and interpretation of accounting data are necessary for the evaluation and interpretation of a company's financial status and operations, which is known as financial performance. The process of analyzing financial statements, such as the balance sheet and profit and loss account, with the goal of determining a company's profitability and financial health is known as financial performance analysis. It is a scientific instrument that was crucial in determining the true value of a business. It facilitates illuminating the complexities of the financial statements' contents. Financial ratios are used in the current study to quantify financial performance. After calculating the current ratio, quick ratio, operating ratio, debtors' turnover ratio, debt equity ratio, inventory turnover ratio, return on sales (ROS), and return on equity (ROE), multiple linear regressions were used to determine the effect of these financial ratios on the financial performance of a subset of Jordanian companies.

Jao, Hamzah and Laba (2019) observed on financial performance, reputation, and firm value: empirical evidence of non-financial companies listed in Indonesia stock exchange. Investigating the relationship between financial performance and reputation, as well as the relationship between financial success and business value, is the goal of the study. Reputation will be used as a mediating variable. 108 non-financial firms that were listed on the Indonesia Stock Exchange between 2016 and 2018 made up the study's sample, which was chosen using a purposive sampling technique. Path analysis is the analysis method used in this study. The corporate image index (CII), released by Frontier Consulting Group, and was utilized in the reputation measuring. The findings demonstrated that financial performance influences firm value positively and significantly, that financial performance influences company reputation positively and significantly, that reputation positively and significantly influences firm value, and that reputation mediates the relationship between financial performance and firm value. The research findings suggest that a company's financial performance can serve as a positive signal for strengthening its reputation, which in turn can lead to an increase in investor confidence in the capital market.

Pinto, Hawaldar and Rahman (2018) examined on an evaluation of financial performance of commercial banks. One of the key participants in the financial system of any economy is the bank. The financial performance of Bahrain's commercial banks is assessed in this study. Based on data from eight commercial banks between 2005 and 2015, this analysis was conducted. The investor's guide, newspapers, bank newsletters, Central Bank of Bahrain website, and published annual reports and websites of the individual banks were the sources of the data used in this study. Regression analysis, correlation analysis, and t-tests were utilized to ascertain the link between various financial factors. The studies did not support the hypothesis that there is a connection between bank efficiency and profitability, but the findings do suggest that profitability affects capital adequacy and financial leverage. The profitability of the banks will be negatively impacted by the enforcement of greater capital adequacy ratios, according to this analysis. The financial and oil crises may have had an impact on the banks' financial leverage, which would have had a negative effect on the banks' profitability.

Ray and Mitra (2018) examined on Firm's Financial Performance and Sustainability Efforts: Application of Classifier Models. The effect of socially conscious actions on a company's financial success has been the subject of numerous studies in academic literature; organizations that adhere to social events perform better financially than those that do not. Both opposing views have been validated by the theoretical and empirical research that is now available. It has taken a distinct tack in order to offer a fresh perspective to the body of current literature. The study has utilized voluntary CSR disclosure as the dependent variable and has endeavored to determine the extent to which prior financial performances of corporation's impact CSR endeavors. With 100 Indian firms included in the BSE 100 index, this premise is being tested. The director's reports from the most recent company annual reports were examined to determine whether CSR activities were voluntarily disclosed. Several financial performance metrics are included in the study as independent variables for analysis, including market capitalization, ownership, debt to equity ratio, ROA, ROE, and ROCE. It was employ multiple binary classifier models in our empirical investigation. Several performance evaluation techniques, including the F-measure, accuracy rates, balance error rate (BER), Matthews correlation coefficient (MCC), Kappa coefficient, and AUROC, are used to validate the binary model performances. The model performance results indicate improved accuracy when comparing the real and predicted values.

Ronoh, Samson, Kibas and Kibati (2017) analyzed on effect of business management training on financial performance of deposit taking Sacco's in Kenya. In terms of the constructs of accounting skills, entrepreneurial skills, financial management skills, marketing management skills, and strategic leadership skills, this study only examined how business management training affected financial performance. This study was guided by the following theories: Porter's theory of competitive advantage, resource-based theory, financial stewardship theory, psychological theory, and theory of internal control. Both positivistic and interpretative philosophical underpinnings were used in this investigation. In order to respond to the study questions, it used an explanatory survey design. While gathering secondary data, standardized questionnaires with a liker scale were used to acquire primary data. There was a "drop and pick later" approach. The research questionnaire was pre-tested using validity and reliability, as measured by Cronbach's alpha.

The Statistical Package for Social Sciences (SPSS) was used to analyze the data using both descriptive (frequencies, percentages, mean, and standard deviation) and inferential (correlation and regression) statistics. A summary report was created by categorizing and coding the qualitative data into key topics. All of the independent variables (accounting skills, entrepreneurship skills, financial management skills, marketing skills, and strategic leadership abilities) and financial performance have a substantial positive link, according to the study's correlation analysis results. Only 41.4% of the variations in financial performance could be explained by the five independent variables, according to the results of the multiple regressions. In addition, it should concentrate on financial and human resources to enter the market and employ a strategy of competitive forces to fend off rivals.

Desta (2016) analyzed on the financial performance of the African banks. To analyzed the financial performance of the African banks. The researcher applied the CAMEL composite and component rating. The researcher revealed that the banks are rated as strong and satisfactory when rated in terms of capital adequacy ratio and earnings ability. Conversely, they were rated as less satisfactory, deficient and critically deficient when rated in terms of asset quality, management quality and liquidity.

Ngomsi and Djiogap (2012) investigated the factors influencing the long-term financial success of Central African banks. The Central African Economic and Monetary Community to look at the factors that affect banks' long-term financial success. Ordinary Least Square (OLS) was used in the study as an estimation technique. A bank's ownership is a key factor in deciding the total amount of loans and advances that the bank extends. According to the report, international banks often have longer term lending ratios than state-owned banks.

Getahun Mulualem (2015) analyzed on the financial performance of Ethiopian Banks usingto analyze the financial performance of Ethiopian. Commercial Banks using CAMEL to test the existence of the relationship between the selected CAMEL factor measurements with the profitability measures. The study used quantitative research approach and secondary financial data are analyzed by using multiple linear regression models for two profitability measures ROE and ROA. The empirical result shows that capital adequacy, Asset Quality and Management efficiency have negative relation whereas earning and liquidity shows positive relationship with both profitability measures with strong statically significance except Capital Adequacy which is insignificant for ROA whereas Asset quality for ROE.

Table 2.1: *Summary of International Review of Literature*

S.N	Author	Title	Objectives	Methodology	Findings
1	Alsamhi, Al-Ofairi, Farhan, Alahdal& Siddiqui (2022)	Impact of Covid-19 on firms' performance: Empirical evidence from India	To investigate how the COVID-19 pandemic has affected the financial performance of a few chosen Indian industries.	Four sectors' worth of data from 444 firms were taken from the Prowess database for this investigation. The analysis excluded 73 firms because of certain missing values. Consequently, 371 businesses make up the study's final sample.	The result of the study states that the total income net sales in the building industry before and after the epidemic vary significantly. The drop in net sales and total income during the epidemic in both industries differs.
2	Alardi and Altass (2021)	Transparency index as an introduction to promote the openness of financial reports and raise the degree of shareholder protection.	The study focuses on attempting to ascertain the nature of the relationship between the financial performance, amount of shareholder protection, and transparency of the financial report in the Egyptian Exchange.	In assessing the linkages, return on assets (ROA) and return on equity (ROE) are the dependent variables used in the study to evaluate the financial performance that results from the presence of the mentioned organizational elements.	The authors believe that by supporting the level of transparency of financial reports, Egyptian Exchange can contribute to the ongoing discussion about transparency and shareholder protection. They cite the positive effects of this support on the financial performance and levels of shareholder protection.
3	Ibrahim and Nawaiseh (2021)	The impact of the evidence from developing nations regarding the impact of financial performance on business value.	The main objective of this paper is to examine how Jordanian industrial companies listed on the Amman Financial Market (AFM) are valued	This study aims to determine if it is preferable to measure FP, TQ, Gross Profit/Total Assets (GP/AT), or Operating Costs/Total Assets (OE/TA) in order to assess the	The study employed three indicators to calculate the financial performance; it disregarded elements that affect the firm's worth, like management ownership.

			in relation to their financial performance.	impact of FP on FV.	
4	NtowGyamfi Matthew &LaryeaAfoley Esther (2021)	A Financial Performance Comparison of Foreign VS Local Banks in Ghana	To examine the following metrics to evaluate the performance of Ghanaian local and foreign banks: capital adequacy, asset quality, return on equity, and return on assets.	Return on Equity, Return on Assets, Capital Adequacy, Management Effectiveness, Earnings Performance, Liquidity, and Bank Size utilizing information from 2005 to 2010.	Foreign banks have own greater net interest margin earning ability than Ghanaian local banks. In Ghana, foreign banks have greater liquidity than domestic banks. In Ghana, foreign banks often have a wider footprint than domestic banks.
5	Pandian and Narendran (2021)	Impact of financial performance indicators on profitability. Most of the organizations use financial data	Hence, it is essential to analyze financial data and financial performance indicators in order to evaluate an organization's financial health.	This study has used Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity.	In this context researcher has conducted a study on the financial performance of clothing firms to see how important financial management is to their expansion.
6	Wardhani, Rosalina, Elvany and Awaluddin (2021)	Banking financial performance during Covid-19. Pandemic Covid-19	The DuPont system approach was used in this study to measure financial performance. This analysis is being done in order to compare the financial performance of the last few years and during COVID-19, as well as to assess the influence of the recommendations on DuPont framework strategies, namely Net Benefit Edge (NPM).	Asset Turnover (TATO), Financial Leverage Multiplier (FLM), Return on assets (ROA) and Return On Equity (ROE).	The test result demonstrates that there was no difference in the banking sector's financial performance before or after COVID-19. As a result, during a pandemic, banks are still able to preserve their financial stability.
7	Saad and Zhengge (2020)	The impact of organizational factors on financial performance.	The financial success of service companies is a crucial factor since it shows how well the management is	In assessing the linkages, Return on Equity (ROE) and Return on Assets (ROA) are the dependent variables that the	Managers can gain a comprehensive understanding of organizational factors and undertake the necessary study to ascertain the genuine nature of these aspects by utilizing the paper's outcomes.

			doing their job. Furthermore, service firms often have lower productivity growth than manufacturing organizations; as a result, the literature has extensively studied the relationship between the organization of variables in manufacturing firms and financial performance.	study uses to evaluate the financial performance that results from the presence of the mentioned organizational elements.	
8	Dalayeen (2019)	Financial performance appraisal of selected companies in Jordan.	The financial performance of an organization is affected by a number of variables, including revenue, cost, capital structure, and the resulting profit margin.	The following financial ratios have been calculated: return on sales (ROS), return on equity (ROE), quick ratio, operating ratio, inventory turnover ratios, debtors' turnover ratios, debt equity ratios, and so on. Multiple linear regressions have then been used to determine the effect of these financial ratios on the financial performance of a subset of Jordanian companies.	The researcher has further tried to determine the kind of relationship that exists between the many facets of financial performance. One of the study's goals is to give a brief overview of the selected Jordanian enterprises.
9	Jao, Hamzah and Laba (2019)	Financial performance, reputation, and firm value: empirical evidence of non-financial companies	The study's sample, which was chosen through the use of purposive sampling, included 108 non-financial businesses that were listed on the Indonesia Stock Exchange between 2016 and 2018.	This research incorporates the two types of variables they are ROA and ROE. They are independent variables and dependent variables.	The research findings suggest that a company's financial performance can serve as a positive signal for strengthening its reputation, which in turn can lead to an increase in investor belief in the capital market.

10	Pinto, Hawaldar and Rahman (2018)	An evaluation of financial performance of commercial banks.	This study is based on data from eight commercial banks between 2005 and 2015. The investor's guide, newspapers, bank newsletters, Central Bank of Bahrain website, and published annual reports and websites of the individual banks were the sources of the data used in this study.	This research incorporates the two types of variables they are ROA and ROE. They are independent variables and dependent variables.	The financial and oil crises may have had an impact on the banks' financial leverage, which would have had a negative effect on the banks' profitability.
11	Ray and Mitra (2018)	Firm's Financial Performance and Sustainability Efforts: Application of Classifier Models.	The existing theoretical and empirical research has given support to both opposing viewpoints. In order to add a new perspective to the body of current literature, it has adopted a distinct strategy.	The study contains a variety of financial performance metrics, such as ownership, market capitalization, debt to equity ratio, ROA, ROE, and ROCE, as well as other independent variables for analysis. We employ multiple binary classifier models in our empirical investigation.	The binary model performances are verified using various performance assessment methods, including the Matthews correlation coefficient (MCC), AUROC, accuracy rates, balance error rate (BER), F-measure, and Kappa coefficient. The model performance results indicate improved accuracy when comparing the real and predicted values.
12	Ronoh, Samson, Kibas and Kibati (2017)	Effect of business management training on financial performance of deposit taking Sacco's in Kenya.	This study applied both positivistic and interpretive philosophical foundations. It adopted explanatory survey design to answer the research questions. Liker scale-based structured questionnaires were used to gather primary data, and secondary data was also gathered.	Data has utilized the Statistical Package for Social Sciences (SPSS) to analyze data using both descriptive (frequencies, percentages, mean, and standard deviation) and inferential (correlation and regression) statistics.	Further, It should prioritize both financial and human resources in order to enter the market and employ a strategy of competitive forces to fend off rivals.

13	Tesfatsion Sahlu Desta (2016)	These studies to analyze the financial performance of the African banks. To analyzed the financial performance of the African banks	The researcher revealed that the banks are rated as strong and satisfactory when rated in terms of capital adequacy ratio and earnings ability.	Return on Assets, Return on Equity, Asset Quality, Capital Adequacy, Management Efficiency,	Conversely, they were rated as less satisfactory, deficient and critically deficient when rated in terms of asset quality, management quality and liquidity
14	Getahun Mulualem (2015)	Analyze the financial performance of Ethiopian Commercial Banks.	To analyze the financial performance of Ethiopian Commercial Banks using CAMEL to test the existence of the relationship between the selected CAMEL factor measurements with the profitability measures	ROE and ROA. The empirical result shows that capital adequacy, Asset Quality and Management efficiency	Liquidity shows positive relationship with both profitability measures with strong statically significance except Capital Adequacy which is insignificant for ROA whereas Asset quality for ROE.
15	Ngomsi and Djiogap (2012)	The determinants of bank long-term of the Central African Economic and Monetary Community's financial performance.	To investigated the determinants of bank long-term financial performance in the Central African Economic and Monetary Community.	Regression analysis is a powerful statistical method that allows you to examine the relationship between two or more variables of interest.	The study demonstrated that, in comparison to state-owned banks, international banks typically had larger long-term loan ratios. .

2.2.2 Review of Literature in Nepalese Context

Pradhan (2022) examined the financial results of PCL and EBL with the aim of highlighting the roles and guidelines of JVBs and assessing the relative financial success of particular banks. In terms of activity, profitability, and liquidity, in addition to a number of additional metrics, some of which include suggestive frameworks. According to the study's conclusions, PCL performs better in terms of liquidity, turnover, and capital adequacy. PCL adopts a more aggressive approach to borrowing, investing, and liquidity in order to outperform all other metrics and produce profits. The D/P and P/E ratios, MVPS, EPS, Cash DPS, TPS, and everything but EPS show that EBL outperformed PCL in terms of performance.

Khanal (2022) examined on Financial Performance Analysis of Commercial Banks Reference to Nepal SBI Ltd., Bank of Kathmandu and Nepal Industrial and Commercial Bank Ltd. The study's primary goals were to assess the quality of the banks' assets, management, earning capacity, and liquidity position. The purpose of the study was to examine and contrast, within the framework of CAMEL, the financial results of Nepal SBI Limited (EBL), Bank of Kathmandu (BOK), and Nepal Industrial and Commercial Bank Ltd (NIC) throughout the course of the five-year period from FY 2010/011 to FY 15/016. The study's main conclusions were that secondary data served as the study's foundation. The primary data sources for the study's analysis are AFCL's annual reports and financial statements. Financial statement analysis is done to gain more understanding of the performance and status of a company. Numerous statistical and financial instruments

Tamang (2021) examined on the financial performance analysis of commercial banks of Nepal with reference to NIB and NABIL. They measure the profitability, stability, and operational efficiency. Compared to NIB, NABIL has used more debt. In terms of ROA, NABIL's profitability ratio outperforms NIB's. Compared to NIB, NABIL has higher EPS and DPS. For both banks, there is a positive link between net profit and total debt. Based on his research, he suggested that both banks examine their whole capital structure and investment portfolio in order to improve the capital structure's mix. NIC Bank's Capital Fund has steadily increased from FY 2015/016 to FY 2019/020, the study period. Unsecured Subordinated Term Debt totaling Rs 200 million was issued throughout the year as part of the supplemental capital, which had a significant impact on the capital fund's overall annual growth rate. Additionally, he recommended that both banks give boosting their liquidity position careful thought.

Gautam (2021) analyzed on Financial Performance Analysis of Nepalese Financial Institutions in the Framework of CAMEL. The objectives of the study Examine, within the context of CAMEL, the financial performance of Nepalese financial depositary institutions as well as the factors that affect it. The factors that are utilized to analyze financial performance include capital sufficiency, asset quality, management effectiveness, earnings, and liquidity. The study employed both descriptive and pooled regression analysis techniques to evaluate the correlation between the variables. The return on equity, or ROE, is found to have a substantial negative association with capital adequacy but a significant positive link with asset quality and ROA. The two main factors that maximize financial organizations' ROA and ROE are capital adequacy and asset quality.

Limbu (2020) assessed on The fate of increment of total deposit of NEPAL SBI is higher than Himalayan Bank the NEPAL SBI has higher position in collecting deposit than Himalayan Bank The management of NABIL Bank Limited emphasized the overall health and performance of the bank. The reserve ratio for cash and bank balances indicates a more liquid position in terms of liquidity. The five-year study period showed a shifting pattern in the ratio of cash and bank balance to total deposit. The ratio of cash and bank balance to current deposit varies as well. The primary goals of the study were to assess the different financial ratios of the Nabil Bank, and the average mean of cash and bank balance to interest sensitive ratio is able to maintain good financial condition. Based on the study's findings, appropriate recommendations are made for analyzing the lending portfolio of a particular bank sector and evaluating the influence of deposits in liquidity on lending practices. The primary conclusions of the bank's two asset management positions indicate improved performance in recent years. The ratio of non-performing assets to total assets is trending downward. Throughout the study time, the bank is able to get greater loan opportunities. As a result, the bank's credit management is doing well. The trend in the leverage ratio is an increase in the debt to equity ratio. Higher financial risk is associated with a higher ratio of total debt to total assets, and vice versa. The ratio of total assets to net value is in good condition. Regarding profitability, the bank's total interest income to total income ratio is rising, as is its net profit to gross income ratio.

Giri (2020) examined on financial performance analysis of commercial banks (Reference to Everest Bank Ltd., Bank of Kathmandu and Nepal Industrial and Commercial Bank Ltd.).It is check the capital adequacy, assets quality, management quality and earning capability and liquidity position of selected banks. Analyze and compare the financial performances of Everest Bank Ltd. (EBL), Bank of Kathmandu (BOK) and Nepal Industrial and Commercial Bank Ltd. (NIC) in the framework of CAMEL. The studies were based on the secondary data. Out of the 29 commercial banks, BOK and NIC are the main data sources used for the EBL analysis. A popular technique for assessing each institution's health as well as the firm's performance and financial standing is called CAMEL. The NRB standard capital adequacy ratio of 11%, based on current statistics, is successfully maintained by the banks. Above the other two banks, BOK has the highest CAR. EBL's loan loss provision ratio is better than that of the other two banks because it is lower. Furthermore higher than the other two banks are MER, liquidity position, and earnings.

Shrestha (2019) studied on Determinants of Financial Performance of Nepalese Commercial Banks: Evidence from Panel Data Approach. The objectives of the study are to determine what factors influence Nepalese commercial banks' financial performance. This essay also seeks to pinpoint the important component that contributes to the understanding of Nepalese commercial banks' financial results. The results of multivariate regression analysis, correlation analysis, and descriptive statistics were generated by STATA 12.0. Prior to executing the multivariate regression analysis, it is verified if the gathered data is most suitable for the Random Effect and Pooled Regression models. It is discovered that by improving management effectiveness, liquidity, asset quality, and operational efficiency as well as lowering credit risk, Nepalese commercial banks can raise their return on assets (ROA).

Bohara (2019) analyzed on a comparative study of the financial performance of NABIL and HBL. The objective is to compare the financial performance of a few chosen banks and to emphasize the roles and guidelines of JVBs. In terms of activity, profitability, and liquidity, in addition to a number of additional metrics, some of which include suggestive frameworks. With regard to the finding to the study "NABIL is better in case of liquidity, regarding the turnover and capital adequacy position. NABIL is more aggressive in liquidity, investment and borrowing policy to generate profit out of the all other indicators. D/P ratio and P/E ratio, MVPS, EPS, Cash DPS, and TPS, except EPS indicate the better performance of HBL than that of NABIL. HBL bank was found to be financially of sound health in the framework of all CAMLES components. In overall the liquidity position of the bank was found to be affected by the current liquidity crunch on going on the financial market.

Khanal (2018) examined on Liquidity Management of Nepal SBI Limited and Himalayan Bank Limited" is related to liquidity management. The basic objective of the study is to gain a thorough understanding of Nepal SBI and Himalayan Bank's liquidity management. The main objectives of the research study to analyze the liquidity management of sample banks. To analyze the deposit and investment position of the banks. To find out the relationship between deposit, investment, loans and advances and net profit. To find out the trend analysis of deposit, investment, loans and advances and net profit. The major findings of the study is EBL's liquidity position is superior to Nepal SBI's in comparison. Nepal SBI's mean current ratio is 1.10, whereas EBL's is 1.14. EBL is more reliable than Nepal SBI at fulfilling short-term obligations. Higher cash and bank balance to total deposit ratios are indicative of increased liquidity for EBL.

Mandal (2018) examined on financial performance appraisal of joint venture banks has studied mainly three banks i.e. NABIL, SCBNL and HBL. His primary goal is that SCBNL and NABIL have both properly organized loan funds to produce higher returns, but HBL was unable to match their performance. While analyzing earnings components such as the P/E ratio, EPS, and MPS. The analysis revealed that SVBL had the greatest ranking for the components of profit after tax, MPS, and EPS. In a similar vein, HBL received the highest P/E Ratio score. He has suggested improving banking services in rural areas by supporting development programs for small business owners, allowing them to act as merchant bankers, mobilizing deposit monies for use in profitable industries, and giving local labor greater importance.

Chand (2017) evaluated the NABIL, HBL, and SCBL commercial banks that were chosen based on their financial performance analysis (CAMEL). With the exception of HBL's for 2003, the CAR % of all chosen banks was found to be higher than the NRB standard. SCBL came in first place overall in the study, followed by NABIL in second place. The study's analysis of asset quality revealed that NABIL is in first place with 1.32% NPL, followed by SVBL in second place with 2.68% and HBL in third. The study's analysis of liquidity reveals that HBL's CRR% has been the highest over the course of the investigation, whereas NABIL and SCBL's CRR has been inconsistently maintained. The analysis also looks at these banks' capital adequacy requirements, asset quality, management quality, earning potential, and liquidity.

Karki (2017) explained on financial performance of NABIL and SCBNL. The objectives of the study evaluate liquidity position of both banks, analyze comparative financial performance of both banks, study the comparative position of both banks, offer a package of suggestion to improve the financial performance and identify the relationship between interests earned and operating profit. SCBNL has efficiently operated its long-term fund, deposit and assets to generate more profits. Liquidity position of NABIL bank is favorable in many cases it seems excessive. The proposed recommendation for these are to reduce its excessive nonperforming assets (Cash and bank balance) and invest on the income generating current assets (Treasury bills), while SCBNL must strength the liquidity position. Comparatively SCBNL's profit ability position is better than that of NABIL.

Lama (2017) explained on financial Performance: study of Himalayan Bank Ltd, Nepal SBI Ltd, Nabil Bank Ltd and Standard Chartered Bank Ltd)".The major objectives of the research are to assess the loan and advance growth and risk ratio as well as the overall investment in relation to the net profit and growth rate of Nepal SBI, EBL, SCB, and NABIL. Three joint venture banks are compared in terms of their operational, financial, and investment efficiency in order to determine the relationship between deposits and net profits of Nepal SBI, EBL, SCB, and NABIL, as well as between deposits and total investment, loans, and advances. To examine the funding sources, purposes, and cash flow of these three joint venture banks. The study's main conclusions are that NABIL's liquidity position is superior to those of Nepal SBI, SCB, and EBL. In the same way EBL has deployed its accumulated deposits to issue loans and advances and has had some degree of success when investing in the productive sector. When compared to other banks, the NABIL is lucrative. Both NABIL and Nepal SBI have continued to maintain lower levels of credit risk and liquidity risk, respectively. While borrowings cover a smaller fraction of sources of funding, deposits are the strongest source of funding. In contrast to the other two banks, NABIL has maintained lower levels of deposits. The highest amount of funds is used for loans and advances, while the least amount is used for interest. The positive relationship or high degree of positive correlation between the deposit and total investment of Nepal SBI, EBL SCB, and NABIL is indicated by the correlation coefficient.

Kunwar (2016) examined on SWOT Analysis of Nepalese Joint Venture Commercial Banks with reference to NABIL, HBL and SCB. The objectives of the study were analyzing the find out the total deposit trend of NABIL and HBL. It indicates that all of these joint venture banks' investments are relatively volatile. Throughout the study period, HBL has consistently provided more loans and advances than SVB and NABIL. He recommended that NABIL and HBL assess their borrowers' financials more skillfully in order to spot potential dangers before making loan approvals. This was based on the examination and evaluation of numerous financial and statistical instruments. SCB should look into the productive industries in an effort to expand its lending portfolio.

Subba (2016) prescribed on financial performance of NABIL and EBL Banks Limited. This dissertation's main goal is to investigate NABIL and EBL's financial performance. The study's primary goals are to compare and analyze different NABIL to EBL ratios. To evaluate the financial performance of these institutions, the relative financial performance of NABIL and EBL is examined using several ratios. The study's primary conclusions about the current ratio of EBL to NABIL are noteworthy. This represents a strong liquidity position. NABIL's mean current ratio is 1.89, whereas EBL's is 1.14. NABIL's current ratio is somewhat greater than EBL's. It suggests that NABIL has improved its liquidity position. Compared to EBL, NABIL has a greater return on equity.

EBL's liquidity position is better to NABIL's in comparison. While EBL is in a more liquid position, NABIL's lower liquidity situation indicates that some profit-generating industries have made use of the current assets. The ratio of NABIL's total assets to investment in government securities is higher than. This suggests that a larger percentage of NABIL's overall assets have been allocated to government securities. The bank's need for deposits to meet its liquidity is determined by its liquidity risk. Compared to NABIL, EBL has a higher average mean ratio. The market price of a share and the financial success of banks are largely determined by EPS and DPS. Greater performance of banks is shown by higher EPS and DPS. Therefore, Both Nabil and EBL have able to provide good returns.

Sapkota (2016) assessed on sources and usages of fund and it’s mobilizing policy of Standard Chartered Bank Ltd, NABIL Bank, Nepal SBI & Himalayan Bank” having main objectives to examine the fund mobilizing policy adopted by three joint venture banks viz. SCBNL, NABIL, EBL and Nepal SBI and the way these banks mobilized their funds during seven year study period. The main objectives of the study to analyze the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of sample joint venture commercial bank. To evaluate comparatively operating, financial and investment efficiency of three joint venture commercial banks. To analyze the sources and uses of funds and its mobilization with respect to cash flow of these three joint venture banks. The study's major findings were that, when compared to NABIL, EBL, and NEPAL SBI, the general state of SCBNL appears to be in a satisfactory situation. Stated differently, he urges banks to make information about their offerings, amenities, and expansion of those services available to remote areas known.

Bhattarai (2014) studied on financial analysis of NABIL bank and Standard chartered bank ltd. In his research main objective is to study the financial position of NABIL and SCBNL. The study's main objectives were to present NABIL and SCBNL's current financial situations. Using a variety of ratios, the relative financial performance of NABIL and SCBNL is examined. The goal is to ascertain the link and trend between deposit, investment, loans and advances, and net profit in order to offer recommendations and potential guidelines based on the study's findings. The study's main conclusions include an overall review of the liquidity position, a declining current ratio for NABIL, and fluctuating SCBNL. NABIL has a higher average liquidity position than SCBNL. Hence, NABIL is more reliable than SCBNL at fulfilling short-term obligations. When compared to current assets, NABIL has a slightly larger percentage of cash and bank balance. While SCBNL is declining, NABIL's investment in government treasury bills as a percentage of current assets is fluctuating.

Table 2.1: *Summary of National Literature Review*

S.N	Author	Title	Objectives	Methodology	Findings
1	Khanal (2022)	A Study of Financial Performance Analysis of Commercial Banks Reference to Nepal SBI Ltd., Bank of Kathmandu and Nepal Industrial and Commercial Bank Ltd.	The main objectives of the study were To Assets Quality, Management Quality and Earning Capability and Liquidity Position of selected banks.	Liquidity position Earning Capability, Quality, and Management Quality of the chosen banks	The analysis of financial statement is carried out to gain more knowledge of the status and performance of a firm. In order to obtain a relevant conclusion that aligns with the research findings, this study has employed a variety of statistical and financial approaches.
2	Pradhan (2022)	A comparative study of the financial performance of EBL and PCL	The key objectives are to examine the relative financial performance of a few chosen banks and to highlight the roles and policies of JVBs.	.The D/P and P/E ratios, MVPS, EPS, Cash DPS, TPS, and everything but EPS show that EBL outperformed PCL in terms of performance.	Profitability, activity, and liquidity of along with a number of other metrics, such as a framework for suggestion. Regarding the study's conclusion, "PCL performs better in terms of liquidity, turnover, and capital adequacy position."
3	Gautam (2021)	Impact on Financial Performance.	The study aims to investigate the financial performance of financial depositary institutions in Nepal, as well as the factors that impact their financial performance.	The factors that are utilized to analyze financial performance include capital sufficiency, asset quality, management effectiveness, earnings, and liquidity. The study used both descriptive and pooled regression analysis techniques to evaluate the correlation between the variables. The study used both descriptive and pooled regression analysis techniques to evaluate the correlation between the variables.	Capital adequacy and assets quality play major role to maximize ROA and ROE of financial institutions.
4	Tamang (2021)	Financial performance analysis of commercial banks of Nepal with reference to NIB and NABIL	There is measure the operating efficiency, stability and profitability. NABIL has utilized more debt	The profitability ratio of NABIL is better than that of NIB in terms of ROA. The EPS and DPS of	During the year, Unsecured Subordinated Term Debt amounting to Rs 200 million had been issued forming part of the supplementary capital, which made huge difference in the overall increment rate of the

			than NIB.	NABIL are better than that of NIB. There is positive correlation between total debt and net profit for both the banks.	capital fund during that year. Moreover, he also suggested that both the banks should also give due consideration in improving their liquidity position.
5	Giri (2020)	A study of financial performance analysis of commercial banks (Reference to Everest Bank Ltd	Analyze and compare the financial performances of Everest Bank Ltd. (EBL), Bank of Kathmandu (BOK) and Nepal Industrial and Commercial Bank Ltd. (NIC) in the framework of CAMEL	Quantify the performance and the financial condition of the firm. The banks are successful to maintain capital Adequacy Ratio	Loan loss Provision Ratio of EBL has lower than other two banks which is better than other banks. MER, Liquidity Position, Earning are also higher than other two banks.
6	Limbu, (2020)	Impact of Financial performance on Profitability.	To evaluate various financial ration of the Nabil Bank. To analyze the portfolio of lending of selected sector of banks. To determine the impact of deposit in liquidity and its effect on lending practices	A Non–performing asset to total assets ratio is decreasing trend. The bank is able to obtain higher lending opportunity during the study period. Therefore, credit management is in good position of the bank. In leverage ratio, Debt to equity ratio is in an increasing trend	It represents good condition of total assets to net worth ratio. In the aspect of profitability position, net profit to gross income, the total interest income to total income ratio of bank is in increasing.
7	Bohara (2019)	Financial performance of NABIL and HBL	The objective to highlight the functions and policies of JVBs and to evaluate the comparative financial performance of selected banks	D/P ratio and P/E ratio, MVPS, EPS, Cash DPS, TPS, except EPS indicate the better performance of HBL than that of NABIL	Financially of sound health in the framework of all CAMLES components. In overall the liquidity position of the bank was found to be affected by the current liquidity crunch on going on the financial market.
8	Shrestha (2019)	Determinants of Financial Performance of Nepalese Commercial Banks:	The objectives of the study identify the determinants of the financial, performance of Nepalese commercial banks	Regression model, Random Effect model. It is found that Nepalese commercial banks can increase their return on assets (ROA)	It is found that Nepalese commercial banks can increase their return on assets (ROA) by increasing managerial efficiency, liquidity, assets quality and operational efficiency, and decreasing their credit risk.
9	Khanal, (2018)	Liquidity Management of Nepal SBI Limited	The main objectives of the research study to	Correlation analysis is a method of	EBL is much better than Nepal SBI at fulfilling short-term obligations. Higher cash and bank balance to

		and Himalayan Bank Limited"	analyze the liquidity management of sample banks. To analyze the deposit and investment position of the banks.	statistical evaluation used to study the strength of a relationship between two, numerically measured, continuous variables.	total deposit ratios at EBL signify increased liquidity.
10	Mandal (2018)	Joint venture banks' financial performance rating has been examined in mainly three banks i.e. NABIL, SCBNL and HBL	The debt funds were used appropriately to increase return; however HBL was unable to compete with NABIL and SCBNL while evaluating earnings components such as the P/E ratio, EPS, and MPS.	While evaluating earnings components such as the P/E ratio, EPS, and MPS. The analysis revealed that SVBL had the highest position for the components of profit after tax, MPS, and EPS. Similarly HBL score first position for P/E Ratio	Supporting development programs for small business owners, it serves as a merchant bank, mobilizing deposit funds in profitable industries and giving local labor greater priority.
11	Chand (2017)	Financial performance analysis of selected commercial banks NABIL, HBL and SCBL	SCBL came in first place overall in the study, then NABIL in second place. According to the study's analysis of asset quality, NABIL is in top position.	liquidity, the study found out that CRR% of HBL is found in lead position throughout studies years while NABIL and SCBL is found inconsistent to maintain CRR, analysis	The conclusion of the findings includes the capital sufficiency requirement, asset quality, management quality, earning ability, and liquidity of these institutions.
12	Karki (2017)	Financial Performance of NABIL and SCBNL	The objectives of the study evaluate liquidity position of both banks, analyze comparative financial performance of both banks	SCBNL has efficiently operated its long-term fund, deposit and assets to generate more profits. Liquidity position of NABIL bank is favorable in many cases it seems excessive	The proposed recommendation for these are to reduce its excessive nonperforming assets (Cash and bank balance) and invest on the income generating current assets (Treasury bills), while SCBNL must strength the liquidity position
13	Lama, (2017)	The main objectives of the study arête evaluate the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of	The main objectives of the study arête evaluate the growth and risk ratio of loan and advances and total investment with respective to	Correlation coefficient between deposit and total investment of Nepal SBI, EBL SCB and NABIL elucidates the positive	The major findings of the study liquidity position of NABIL are comparatively better than Nepal SBI, SCB and EBL. Similarly, EBL is comparatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances.

		Nepal SBI, EBL, SCB and NABIL	growth rate of total deposit and net profit of Nepal SBI, EBL, SCB and NABIL	relationship or there is high degree of positive correlation.	
14	Kunwar (2016)	SWOT Analysis of Nepalese Joint Venture Commercial Banks with reference to NABIL, HBL and SCB.	The objectives of the study were analyzing the find out the total deposit trend of NABIL and HBL. It is find out the investments of all these joint venture banks are found to be more or less volatile	On the basis of analysis and evaluation of various financial and statistical tools, he suggested that NABIL and HBL to evaluate the financials of their borrowers	Financials of their borrowers in a more proficient way thereby, identifying possibilities of risks prior granting the loans. SCB should try to increase its credit portfolio by exploring the productive sectors.
15	Subba, (2016)	Financial Performance of NABIL and EBL Banks Limited	To examine the relative financial performance of NABIL and EBL in terms of different kinds of ratios. To assess the financial performance of these banks. To provide a package of suggestions and possible guideline to improve the performance of EBL and NABIL.	Regression analysis is a powerful statistical method that allows you to examine the relationship between two or more variables of interest.	The major findings of the study current ratio of NABIL and EBL are considerable. This can be regarded as good liquidity position. The mean current ratio of NABIL is 1.89 and EBL is 1.14. The current ratio of NABIL is little higher than EBL
16	Sapkota, (2016)	A study on Sources & Usages of fund and it's mobilizing policy	The main objectives of the study to analyze the growth and risk ratio of loan and advances and total investment with respective to growth rate of total deposit and net profit of sample joint venture commercial bank	The profitability ratios (ROA and ROE) are assumed as dependent variables while Total Assets Total Deposits Interest Income Liquidity, Capital Adequacy ratio and Loan and advance independent variables	The major findings of study were overall condition of SCBNL seems in satisfactory position in comparison to NABIL, EBL and NEPAL SBI.
17	Bhattarai (2014)	Financial analysis of NABIL bank and Standard chartered bank ltd.	To examine the relative financial performance of NABIL and SCBNL in terms of different kinds of ratios. To find out the relationship and trend of deposit,	The profitability ratios (ROA and ROE) are assumed as dependent variables while Total Assets Total Deposits Interest Income Liquidity, Capital Adequacy ratio and Loan and	NABIL has a higher average liquidity position than SCBNL. Hence, NABIL is far better than SCBNL at fulfilling short-term obligations. Compared to current assets, NABIL has a slightly greater percentage of cash and bank balance. .

	investment, loans and advances and net profit.	advance independent variables	

2.3 Research Gap

In today’s context the majority of banks have designed their annual reports so that the majority of ratios are determined and presented as financial indicators. However, nothing I say here implies that my research is better than that of earlier investigators. Prior study efforts undertaken by various investigators have primarily concentrated on secondary sources. They used secondary data, such as information from the banks' annual reports, to analyze and present the study. The best part is that the majority of the information they provided and examined is already included in the respective financing businesses' annual report. Nothing new can be found if the relevant companies' annual reports are viewed.

The review of both theoretical and empirical literature indicates that most of the studies on the financial company's financial performance have carried out in the developed financial markets. Studies reviewed here used Non-performing loan Ratio, Loan and Advance to Total Deposit Ratio, Interest Income on total loan and advance Ratio, Non-Performing loan (NPL)/ Non Performing Assets (NPA), Net profit to Loan and Advance, Weighted Average Interest Rate Spread, Loan Loss Provision Ratio (LLP) as dependent and independent variables. This study aims to close the methodological and empirical gaps left by the majority of studies that use least squares approaches. In the past studies, management quality was not examined; this may have been because it was an internal problem for the chosen finance businesses. However, this research has examined the management quality of those companies. This thesis analyzes management quality using the management efficiency ratio as a financial analysis tool and the customer handling ranking of chosen finance organizations as a subjective analysis tool. In addition to doing regression analysis using a model equation, the researchers have employed additional financial indicators that are already included in the annual reports of the relevant financing organizations.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Design

This chapter deals about the research methodology by which is the collected data are analyzed to get result, in this regard, this chapter is carried out to diagnose the financial performance management of ICFC, GWF and NFL Limited. Descriptive cum causal comparative research design have used in this study to examine the financial performance of ICFC, GWF and NFL of Nepal and the different financial ratios that has an adverse effect on its performance level. Descriptive designs are used in preliminary and exploratory studies to enable the information-gathering, summarizing, presenting, and interpreting researcher for the purpose of categorizing.

These designs have mainly been used in this study to describe information or the data collected through the use of the numbers. Causal comparative design will help analyze the relationship of the different variables reflecting its overall performance.

3.2 Population and Sample

In this study, multistage sampling will be used for the data collection method. Out of the 19 finance Company of Nepal the sampling frame consists of the 3 finance Company of ICFC, GWF and NFL this shall make a study more manageable in terms of resources and ensures that the objective of the study is covered as well.

3.3 Nature and Sources of Data

In order to meet the objective of the study, two types of data are collected. The first type is the secondary data that is obtained from the publication of sample finance and Nepal Bulletin annual audited financial statements of finance company and yearly economic survey. Averages of ten years ratios from 2011/012 to 2020/021 are evaluated to assess the financial performance of the finance Company Nepal.

3.4 Methods of Analysis

In this study some selected ratios are used which are based on the framework to demonstrate the financial performance of the finance company. All the ratios are used to test the significance level. The study has also applied an econometric multivariate regression model to test the significance of variables on performance of Nepalese finance Company. The profitability ratios (ROA and ROE) are assumed as dependent variables while Leverage, Size, Tangibility and liquidity status are as independent variables. The residual error of the regression is represented by α in the above equation, where β is the coefficient of variables and α is a fixed. All estimates were completed using the SPSS software, as opposed to the standard Excel computations.

3.4.1 Correlation Analysis

A statistical evaluation technique called correlation analysis is used to examine the degree of a relationship between two continuous, quantitatively recorded data. This specific kind of investigation is helpful to researchers who wish to determine whether there might be a relationship among variables. Contrary to popular belief, correlation analysis does not establish cause and effect because extra factors that were not considered in the study might have had an influence on the findings. If there's a correlation among both variables, it indicates that for a given amount of time, the variables change together when there is a systematic change in one of the variables. If correlation is discovered, it can be either positive or negative and have a range of -1 to +1 based on the numerical data examined.

3.4.2 Regression Analysis

Regression analysis is a powerful statistical method that allows you to examine the relationship between two or more variables of interest. While there are many types of regression analysis, at their core they all examine the influence of one or more independent variables on a dependent variable. By extracting quantitative data from the financial annual report, an explanatory research design of sorts was employed in this study to explain the relationship between the results of finance.

3.4.3 Regression Model

The empirical model is defined as shown below:

$Y=ROA= \alpha + \beta 1*TA + \beta 2*TD + \beta 3*II + \beta 4 *L+ \beta 5*CAR+ \beta 6*LA+e..$

$Y^1= ROE=- \alpha+ \beta 1*TA + \beta 2*TD + \beta 3*II + \beta 4 *L+ \beta 5*CAR+ \beta 6*LA+ e..$

Where,

ROA= Return on Assets

ROE = Return on Equity

TA= Total Assets

TD = Total Deposit

II= Interest Income

L= Liquidity

LA= Loan and Advance

e...= error terms.

3.5 Conceptual Framework

Based on the insights gained from review of the literature, the following conceptual framework showing the relationship between independent variables and dependent variable was created.

Independent Variable   Dependent Variable

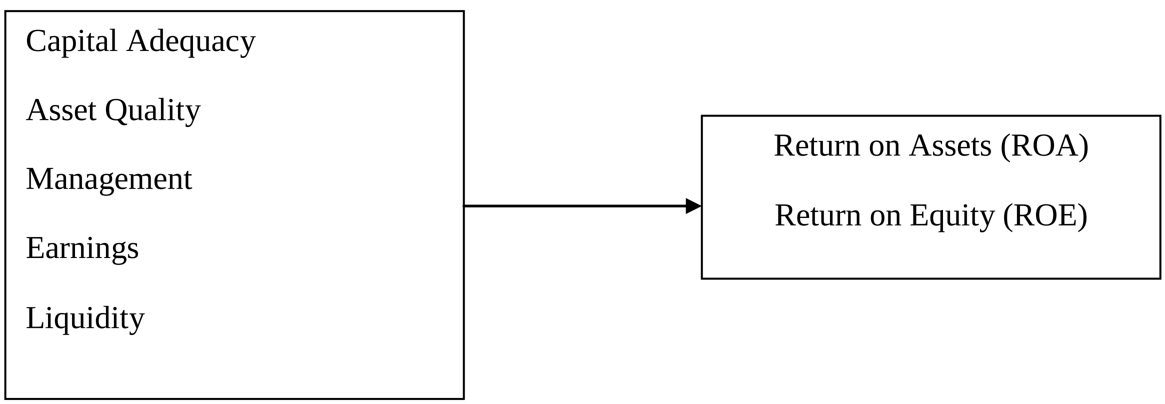

Figure 3.1: *Conceptual Framework Models*

This research incorporates the two types of variables. They are independent variables and dependent variables. Independent variables presumed to loan and advance; cash reserve ratio, interest income, credit deposit, weight average rate spread, total assets and non performing loan ratio. Dependent variables are Return on Assets. Dependent depends on the independent variables.

3.6 Definition the Research Variables

Return on Assets

A financial ratio known as return on assets (ROA) shows how lucrative a business is in comparison to its total assets. ROA is a useful metric for analysts, investors, and corporate management to assess the way a business utilizes its resources to turn into profits. Typically, a company's net income and average assets are used to express the metric as a percentage. A company's ability to manage its balance sheet profitably is demonstrated by a higher return on assets (ROA); conversely, a lower ROA suggests that there is still opportunity for improvement. This ratio is one of the study's dependent variables.

Return on Equity

Return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity. ROE is a gauge of a corporation's profitability and how efficiently it generates those profits. The higher the ROE, the better a company is at converting its equity financing into profits.

Capital Adequacy

Inspectors use capital trend analysis to determine an institution's level of sufficiency of capital. Inspectors also make sure that organizations follow rules about the standards for risk-based net worth. In addition to adhering to interest and dividend regulations and procedures, institutions need to have a high capital adequacy rating. The evaluation and assessment of an organization's capital sufficiency also takes into account its expansion objectives, economic climate, risk management capabilities, and loan and investment concentrations of the organization.

Asset Quality

The quality of an institutional loan is determined by its assets that represent the institution's profits. Rating potential investment risk factors for the bank and weighing them against capital returns are key components for evaluating the quality of assets. This demonstrates the financial institution's sustainability in spite of specific dangers. Investigators also look at how a company's fair market value of investments compares to the bank's book value of those same investments. Finally, the effectiveness of an institution's investment policies and procedures reflects the quality of its assets.

Management

Management evaluation establishes an institution's capacity to respond appropriately to financial strain. The management's ability to identify, quantify, monitor, and control risks associated with the institution's day-to-day operations is highlighted in this component rating. It addresses the ability of management to guarantee that the organization operates safely while adhering to relevant internal and external regulations.

Earnings

A bank's capacity to generate enough revenue to fund its operations, grow, and maintain its competitiveness is a critical component in determining how viable it will stay in the long run. This can be ascertained by evaluating the bank's profitability, expansion, stability, and allowance for assessment, as well as its net margins, net worth, and the caliber of its current assets.

Liquidity

Investigators consider susceptibility to interest rate fluctuations, easily convertible assets, reliance on immediate variable financial resources, and ALM technical proficiency when evaluating the liquidity of a bank.

CHAPTER-IV

RESULTS AND DISCUSSION

These chapters analyze the various financial indicators, their relationship and variables are presented. Therefore, this chapter is based on the presentation and analysis of the secondary data, which help to conclude and draw some implications.

4.1 Results and Analysis

4.1.1 Return on Asset

The term return on assets (ROA) refers to a financial ratio that shows the profitability of a business relative to its total assets. ROA is a useful metric for investors, analysts, and executives to assess how well a business utilizes its resources to turn profits.

Table 4.1: *Return on Assets in %*

Year	NFL	GWF	ICFC
2011/012	1.79	1.012	1.258
2012/013	1.67	2.478	1.269
2013/014	1.45	2.364	1.741
2014/015	1.36	1.458	2.145
2015/016	1.25	2.301	2.365
2016/017	1.24	2.670	2.390
2017/018	1.03	2.510	2.250
2018/019	1.26	1.990	1.850
2019/020	1.27	1.980	1.610
2020/021	1.30	1.840	1.720
Mean	1.36	2.06	1.86
S.D.	0.22	0.52	0.42
C.V.	16.35	25.17	22.51

Source: Annual reports

The Table 4.1 shows that the total assets turnover ratio of GWF, ICFC, and NFL respectively. The comparative study of ten years period shows that GWF and NFL have been properly utilizing its assets to increase the turnover than ICFC. High ratio indicates efficient utilization and the ratio less than 2 indicates under utilization. As a result the ICFC is under utilization of own assets compare to the GWF and ICFC. The consistency point of views NFL of ROA ratio are more consistency and better than ICFC and GWF.

This indicates that, ICFC and GWF are heterogeneous and inefficient utilized trend of its assets to compare NFL. Similarly NFL and ICFC depict more uniforms in overall period. The standard deviation of GWF are higher than NFL and ICFC Similarly, Finding from the descriptive statistics as presented in above table shows that the minimum value of ROA of GWF, ICFC and NFL finance have obtained1.79,2.670 and 1.850 respectively. It finds that, the NFL of became to meet maximum value among the NFL, GWF and ICFC and find that the NFL of ROA been minimum value among the sample finance.

4.1.2 Return on Equity (ROE)

Return on equity (ROE) is a measure of financial performance calculated by dividing net income   by shareholders' equity. Because shareholders' equity is equal to a company’s assets minus its debt, ROE is considered the return on net assets. ROE is considered a gauge of a corporation's profitability and how efficient it is in generating profits. The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing.

Table 4.2: *Return on Equity in %*

Year	NFL	GWF	ICFC
2011/012	24.12	23.20	26.30
2012/013	20.14	21.12	24.30
2013/014	19.25	23.10	29.26
2014/015	21.27	24.26	24.30
2015/016	16.23	23.25	25.12
2016/017	17.06	24.49	27.97
2017/018	24.53	19.99	22.73
2018/019	21.22	15.66	25.61
2019/020	21.58	16.64	26.65
2020/021	14.17	15.21	27.78
Mean	19.71	18.38	26.15
S.D.	4.07	3.90	2.14
C.V.	20.64%	21.21%	8.18%

Source: Annual reports

Table 4.2 shows the ROE of sampled companies. Under the study of NFL, the highest value of ROE is 24.53% in the FY 2017/18 and the lowest value is 14.17% in the FY 2020/21. The data shows the fluctuating trend in the ROE of the NFL during the study period. The mean ROE during analysis period is 19.71%. The standard deviation is 4.07 and the coefficient of variation is 20.64%. The 20.64% CV of ROE explain that there is moderate risk involved in return on equity for the investor and shareholders of this finance. Under the study of GWF, the highest value of ROE is 24.49% in the FY 2016/17 and the lowest value is Rs 15.21% in the FY 2020/21. The data shows the fluctuating trend in the ROE of the GWF during the study period.

The average ROE is 18.38%. The standard deviation is 3.90 and the coefficient of variation is 21.21% during the study period. It indicates that there is lower fluctuation in ROE of this finance. Under the study of ICFC, the highest value of ROE is 29.26% in the FY 2013/14 and the lowest value is 22.73 in the FY 2017/18. The data shows the fluctuating trend in the ROE of the ICFC during the study period. The average ROE is

26.15. The standard deviation is 2.14 and the coefficient of variation is 8.18% during the study period. It indicates that there is lower risk involved in market price of share for the investor and shareholders of this finance.

From Table 4.2, it can be observed that the ROE of all sampled company have shown fluctuating pattern in the recent years due various factors such as government policies, COVID-19 and the performance of the individual finance companies. Investors seek higher ROE for investment.

4.1.3 Loan and Advance

Money provided by the finance to entities for fulfilling their short term requirements is known as Advances. The loan is a kind of debt while Advances are credit facility granted to customers by finance. Loans are provided for a long duration which is just opposite in the case of Advances.

Table 4.3: *Loans and Advance (Rs. 000)*

Year	**ICFC**	**NFL**	**GWF**
2011/012	74156945	24621434	38745641
2012/013	98745232	28745229	34756447
2013/014	87447836	27454520	27834540
2014/015	78925136	32454712	26426314
2015/016	46551212	24545614	24512411
2016/017	44197700	25345452	22828838
2017/018	48450300	25642124	25976585
2018/019	55363500	26142215	27681313
2019/020	68911500	65421478	31302950
2020/021	78278600	45612145	39263690
Mean	68102796.1	32598492.3	29932872.9
S.D.	18724911.68	13162217.76	5841826.379
C.V.	27.50	40.38	19.52

Source: Annual reports

The Table 4.3 analyzed that the loan and advance of selected company on comparatively. NFL finance shows maximum while GWF shows lowest Loan and advance in ten years period. Similarly, the range point of views NFL finance of LA shows the highest difference in among the sample finance. The consistency point of views, GWF finance seen more consistency to compare other sample finance and risky point of views, NFL shows the more risky than other sample finance. The range point of views NFL finance of LA shows the highest difference in among the sample finance. The consistency point of views, GWF finance seen more consistency to compare other sample finance and risky point of views, NFL shows the more risky than other sample finance.

4.1.4 Cash Reserve Ratio

Cash reserve ratio (CRR) is the percentage of a bank's total deposits that it needs to maintain as liquid cash. This is an RBI requirement, and the cash reserve is kept with the RBI. A bank does not earn interest on this liquid cash maintained with the RBI and neither can it use this for investing and lending purposes.

Table 4.4: *Cash Reserve Ratio*

Year	ICFC	GWF	NFL
2011/012	24.20	19.50	13.15
2012/013	18.30	21.30	19.58
2013/014	17.28	24.30	16.30
2014/015	15.24	17.20	17.50
2015/016	16.25	16.28	16.20
2016/017	15.19	16.43	15.12
2017/018	16.91	21.18	16.39
2018/019	24.27	24.03	11.10
2019/020	16.61	7.98	10.23
2020/021	16.52	19.71	9.25
Mean	18.077	18.791	14.482
S.D.	3.37	4.74	3.40
C.V.	18.64	25.24	23.48

Source: Annual reports

The descriptive study of finance company, the above depicts that, the average cash reserve. It can say that, the comparatively CRR of NFL finance shows Minimum while NFL shows Maximum manage the liquidity. It means Finance is properly utilization of assets but NFL have under utilization of own assets to comparatively of three finance in five years period. Similarly, the range point of views NFL finance shows better than among the other sample finance. The consistency point of views, seen more consistency to compare other sample finance and risky point of views, GWF shows the more risky than other sample finance.

It means ICFC is properly utilization of assets but NFL have under utilization of own assets to comparatively of three finance in ten years period. Similarly, the range point of views ICFC finance shows better than among the other sample finance. The consistency point of views, NFL finance seen more consistency to compare other sample finance and risky point of views, GWF shows the more risky than other sample finance. The descriptive study of finance Company, the above depicts that, the average cash.

4.1.5 Interest Income to Loan & Advances

Interest income is the revenues generated by interest-bearing assets and the cost of servicing (interest-burdened) liabilities. For finance, the interest earns from commercial and personal loans, mortgages, construction loans and investment securities. The assets consist primarily of customers' deposits.

Table 4.5: *Interest income to Loan & Advance in %*

Year	**GWF**	**ICFC**	**NFL**
2011/012	9.47	7.12	9.14
2012/013	10.25	8.47	10.23
2013/014	7.48	8.62	9.25
2014/015	9.56	9.47	7.14
2015/016	8.14	10.39	8.45
2016/017	9.76	10.49	9.12
2017/018	9.31	10.11	5.12
2018/019	8.68	8.76	6.10
2019/020	6.86	6.94	6.26
2020/021	6.80	8.19	7.12
Mean	8.631	8.856	7.793
S.D.	1.25	1.26	1.68
C.V.	14.44	14.24	21.52

Source: Annual reports

In the Table 4.5 Interest income to loan and Advance in finding from the descriptive statistics indicates that the Interest income to loan. Similarly, the table shows that, Interest income to loan and advance ratio of GWF has obtained mean 8.28 percent and this variable has minimum value of 6.80 percent and maximum at 9.76 percent and it has ranged in 2.96 percent during the study period. In terms of S.D. and C.V. registered 1.38 percent and 16.66 percent respectively. To descriptive study of four finance , GWF seen the lowest Interest income generate finance from loan and advance while NFL seen highest interest income generate finance to compare four finance. The consistency point of views, GWF became more uniforms than other sample finance. Similarly, deviation point of views, deviation to compare others finance. The earning pint of views, NFL finance has highest interest earning finance to compare ICFC and GWF respected 10 years period.

The variable Interest income to loan and advance ratio of ICFC has obtained mean 8.90 percent and its minimum value has obtain 6.94 percent and maximum value at 10.49 percent and it has ranged in 3.55 percent while its S.D. and C.V. registered 1.45 percent and 16.24 percent over the study period. Similarly, The statements of NFL has obtained mean 9.33 percent and its variable has minimum value of 6.10 percent and maximum value at 11.64 percent and it has ranged in 3.56 during the study period, in terms of S.D. and C.V. registered 1.53 percent and 16.43 percent over the study period. The above analysis of data, ICFC and NFL Finance are more generate interest income to compare GWF respectively.

4.1.6 Total Credit Deposit Ratio

This ratio helps to find out to what extent the finance are successful to utilize the depositors fund to earn profit by providing loans and advances. In other words how quickly collected deposits total is converted into loan and advances given to the clients to earn income. CD ratio is the fundamental parameter to ascertain fund deployment efficiency of finance Company. It is computed by dividing the total amount of loan and advances by total deposits. Higher ratio indicates higher/proper utilization of funds and low ratio is the signal of balance remaining unutilized or idle. Greater CD ratio implies the better utilization of total deposits and higher earnings. However, liquidity requirements also needs due consideration.

Table 4.6: *Total Credit- Deposit Ratio in %*

Year	**NFL**	**GWF**	**ICFC**
2011/012	65.28	61.10	75.12
2012/013	75.16	65.28	65.48
2013/014	66.47	62.19	66.38
2014/015	54.29	57.12	69.47
2015/016	58.14	65.14	70.14
2016/017	58.12	58.63	76.57
2017/018	56.23	56.87	78.01
2018/019	41.12	48.92	66.63
2019/020	66.25	56.88	73.52
2020/021	64.12	62.20	82.32
Mean	60.518	59.433	72.364
S.D.	9.21	4.88	5.65
C.V.	15.22	8.21	7.80

Source: Annual reports

In the table 4.6 shows that the Total Credit- Deposit Ratio into loan and advances given to the clients are respectively Fiscal year 2010/011 to 2019/020 increasing and decreasing trend GWF 58.63, 56.87, 48.92, 56.88 and 62.20 respectively. ICFC 76.57, 78.01, 66.63, 73.52 and 82.32 respectively. CD ratio is the fundamental parameter to ascertain fund deployment efficiency of finance Company. It is computed by dividing the total amount of loan and advances by total deposits. Higher ratio indicates higher/proper utilization of funds and low ratio is the signal of balance remaining unutilized or idle. Greater CD ratio implies the better utilization of total deposits and higher earnings. However, liquidity requirements also needs due consideration.

4.1.7 Weighted Average Interest Rate Spread

In financing, the Weighted Average interest rate spread is the distinction among the interest charged on deposits as well as other interest-bearing obligations and interest earned on loans, securities, and other interest-earning assets.

Table 4.7: *Weighted Average Interest Rate Spread in %*

Year	**NFL**	**GWF**	**ICFC**
2011/012	3.46	5.14	8.74
2012/013	5.14	5.30	6.24
2013/014	6.98	7.12	7.12
2014/015	5.26	6.39	6.28
2015/016	4.23	5.21	4.88
2016/017	3.12	4.12	5.68
2017/018	6.25	7.09	5.69
2018/019	5.23	5.27	4.76
2019/020	7.26	4.64	4.89
2020/021	6.12	5.01	4.48
Mean	5.305	5.529	5.876
S.D.	1.40	1.01	1.30
C.V.	26.33	18.21	22.17

Source: Annual reports

Weighted Average interest rate spread is a ratio of difference between interest earned on loans, securities, and other interest-earning assets and the interest paid on deposit and other interest-bearing liabilities. Weighted Average interest rate spread is a ratio is displayed as a percentage. The Weighted Average interest rate spread ratio of GWF and ICFC are higher than NFL in the past five years periods i.e. (5.23, 5.10 > 4.62, 6.12) and according to the principal of high risk high gain while the GWF and ICFC returned is highly but risky then NFL because the GWF and ICFC interest rate spread are higher than NFL, similarly the coefficient of variation point of views, GWF and NFL seen more uniforms than ICFC. Similarly, it has ranged in 0.82, 2.97, 1.21 and 1.74 respectively. It finds that the GWF and NFL of weighted average interest spread became maximum than the ICFC. More ever, the NFL of weighted average interest spread been minimum value among the sample finance. Similarly, it finds that GWF is more risky but more homogenous compare to other sample finance. Finally, the descriptive analysis of data GWF ICFC and NFL as a result higher the ratio better is the profitability of the finance.

4.1.8 Total Assets

Total assets refer to the total amount of assets owned by Finance. Assets are items of economic value, which are expended over time to yield a benefit for the owner. Similarly, the owner is Finance; these assets are usually recorded in the accounting records and appear in the balance sheet of the Finance.

Table 4.8: *Total Assets (Finance Size) in Rs. "000"*

Year	**NFL**	**ICFC**	**GWF**
2011/012	185,452.78	789,452.23	985,745.45
2012/013	167,546.45	568,794.78	789,456.78
2013/014	145,785.30	452,879.45	987,465.51
2014/015	235,452.45	324,547.45	879,562.20
2015/016	124,214.01	452,264.10	789,458.00
2016/017	452,582.45	351,596.46	456,311.00
2017/018	325,701.56	348,701,.87	533,241.02
2018/019	456,256.45	291,258.33	650,590.44
2019/020	245,562.45	278,551.23	651,857.32
2020/021	365,045.14	345,051.33	774,085.98
Mean	270359.90	428266.15	749777.37
S.D.	123054.32	164366.82	178012.95
C.V.	45.52	38.38	23.74

Source: Annual reports

The consistency point of views, ICFC finance seen more consistency to compare other sample finance. This tremendous variety indicates the factors are variable in light of the variation in the offered basic descriptive statistics. Position of chosen finance in terms of return on assets.

4.1.9 Non Performing Assets

A nonperforming asset (NPA) refers to a classification for loans or advances that are in default or in arrears. A loan is in arrears when principal or interest payments are late or missed. A loan is in default when the lender considers the loan agreement to be broken and the debtor is unable to meet his obligations.

Table 4.9: *Non-Performance Loan Ratio of Finance (in Percentage)*

Year	**ICFC**	**GWF**	**NFL**
2011/012	0.78	0.68	2.14
2012/013	0.63	0.59	2.45
2013/014	0.75	0.78	2.39
2014/015	0.65	0.88	2.11
2015/016	0.54	0.66	2.13
2016/017	0.62	0.77	2.14
2017/018	0.97	0.48	2.39
2018/019	0.66	0.34	2.10
2019/020	0.38	0.32	2.16
2020/021	0.25	0.19	2.10
Mean	0.623	0.569	2.211
S.D.	0.20	0.23	0.14
C.V.	32.48	40.11	6.31

Source: Annual reports

The consistency point of views GWF and NNM finance are more uniforms than and ICFC. From this ratio, it can be said NFL and GWF finance are properly managing to reduce this ratio at minimum level than NFL and ICFC. Similarly, higher variation of NFL finance indicates that this finance has not been able to effectively utilize its funds; effective credit management is required to improve non-performing loans to total loans and advances ratio. It concludes that, GWF and is much better utilization its credit to compare the ICFC and NFL. The ratio of non-performing loans to total loans and advances of NFL, GWF and ICFC finance from 2015/016 to 2019/020. It shows that NFL and ICFC finance has the highest ratio of all twelve consecutive years whereas GWF and finance have low ratio throughout the study period. Similarly, GWF and finance are better than ICFC and NFL as a credit management point of views. Low ratio of GWF and finance is the result of effective credit management of finance and its efforts of recovering bad debts.

4.2 Correlation analysis

In correlation analysis, we estimate a simple correlation coefficient, more specifically the Pearson correlation coefficient. The sample correlation coefficient, denoted r, ranges between -1 and +1 and quantifies the direction and strength of the linear association between the two variables. The correlation between two variables can be positive or negative. The sign of the correlation coefficient indicates the direction of the association. The magnitude of the correlation coefficient indicates the strength of the association. A perfect positive correlation means that the correlation coefficient is exactly 1. This implies that as one security moves, either up or down, the other security moves in lockstep, in the same direction. A perfect negative correlation means that two assets move in opposite directions, while a zero correlation implies no relationship at all. In this study we will calculate the correlation coefficient among the independent variables. Five Liker scale have used for each factor/ variables.

Table 4.10: *Pearson Correlation Analysis*

		ROA	LA	CRR	II	CD	WARS	TA	NPA
ROA	Pearson Correlation	1.00							
	Sig. (2-tailed)	.							
LA	Pearson Correlation	-.481	1.000						
	Sig. (2-tailed)	.004	.						
CRR	Pearson Correlation	.104	.041	1.000					
	Sig. (2-tailed)	.292	.416	.					
II	Pearson Correlation	-.243	-.068	.255	1.000				
	Sig. (2-tailed)	.098	.361	.087	.				
CD	Pearson Correlation	.203	.021	-.458	-.409	1.000			
	Sig. (2-tailed)	.141	.455	.005	.012	.			
WARS	Pearson Correlation	-.021	.363	.247	-.215	.007	1.000		
	Sig. (2-tailed)	.457	.024	.094	.127	.485	.		
TA	Pearson Correlation	.092	-.137	.317	.033	-.327	-.041	1.000	
	Sig. (2-tailed)	.314	.235	.044	.431	.039	.415	.	
NPA	Pearson Correlation	.114	-.355	-.384	-.226	.637	-.057	-.200	1.000
	Sig. (2-tailed)	.275	.027	.018	.115	.000	.382	.145	.

The table 4.10 shows that the correlation between Loan and advance ratio of ICFC to return on assets ratio of ICFC is .697, which means there is a Positive correlation between LA and ROA ratio of ICFC. Similarly, the correlation between LA ratio of ICFC to Interest Income / Loan and Advance ratio of ICFC is -481, which is negative relationship between the LA and Interest Income / Loan and Advance ratio of ICFC. However, the correlation between LA of ICFC to Weighted Average Interest Rate Spread ratio of ICFC is 235. Similarly, the correlation between LA of ICFC to Size of Finance of ICFC is .697, which is negative relationship between LA and Size of Finance of ICFC. Finally, the correlation between loan and advance to Cash reserve ratio of ICFC is .416 which is negative relationship between LA and CRR of ICFC. The correlation between Loan and Advance of GWF to Interest Income/Loan and Advance ratio of GWF is .012, which is negative relationship between LA and Income/Loan and Advance ratio of GWF. Hence, there is statistically no significance relationship between LA and Interest Income/Loan and Advance ratio of GWF. Similarly, the correlation between LA of GWF to C-D ratio of GWF is.021 which is positively relationship between the LA and C-D ratio of GWF. Hence there is no significance relationship between LA and C-D ratio of GWF. Similarly, the correlation between LA of GWF to Weighted Average Interest Rate Spread ratio of GWF is .053, which is negative relationship between the LA and Weighted Average Interest Rate Spread ratio of GWF. The correlation between LA of GWF to CRR ratio of GWF is .416 which is positively relationship between LA and CRR of GWF. The correlation between Loan and Advance of NFL to Interest ROA ratio of NFL is -.336, it is negative relationship between LA and ROA ratio of NFL. Similarly, the correlation between Loan and Advance of NFL to Interest Income / Loan and Advance ratio of NFL is 361 it is negative relationship between LA and Income / Loan and Advance ratio of NFL. Similarly, the correlation between ROA ratios of NFL to C-D ratio of NFL is .141 which is negative relationship between the LA and C-D ratio of NFL. More ever, the correlation between LA of NFL to Weighted Average Interest Rate Spread ratio of NFL is .141 which is negative relationship between the LA and Weighted Average Interest Rate Spread ratio of NFL. Finally, the correlation between LA of NFL to CRR NFL is .1.000 which is negative relationship between LA and CRR ratio of NFL.

Table 4.11: *Pearson Correlation Analysis*

		ROE	**LA**	**CRR**	**II**	**CD**	**WARS**	**TA**	**NPA**
Pearson Correlation	ROE	1.000	.511	.185	.171	-.171	.213	-.306	-.301
	LA	.511	1.000	.041	-.079	.029	.363	-.136	-.354
	CRR	.185	.041	1.000	.264	-.466	.247	.317	-.385
	II	.171	-.079	.264	1.000	-.387	-.224	.042	-.223
	CD	-.171	.029	-.466	-.387	1.000	.010	-.338	.640
	WARS	.213	.363	.247	-.224	.010	1.000	-.040	-.056
	TA	-.306	-.136	.317	.042	-.338	-.040	1.000	-.202
	NPA	-.301	-.354	-.385	-.223	.640	-.056	-.202	1.000
Sig. (1-tailed)	ROE	.	.002	.168	.187	.188	.134	.053	.056
	LA	.002	.	.416	.341	.441	.027	.241	.030
	CRR	.168	.416	.	.083	.005	.098	.047	.020
	II	.187	.341	.083	.	.019	.121	.414	.123
	CD	.188	.441	.005	.019	.	.479	.037	.000
	WARS	.134	.027	.098	.121	.479	.	.418	.385
	TA	.053	.241	.047	.414	.037	.418	.	.147
	NPA	.056	.030	.020	.123	.000	.385	.147	.

The table 4.11 shows that the correlation between Loan and advance ratio of ICFC to return on assets ratio of ICFC is -511 which means there is a negative correlation between LA and ROE ratio of ICFC. Similarly, the correlation between LA ratio of ICFC to Interest Income / Loan and Advance ratio of ICFC is .171, which is negative relationship between the LA and Interest Income / Loan and Advance ratio of ICFC. However, the correlation between LA of ICFC to Weighted Average Interest Rate Spread ratio of ICFC is -.224. Similarly, the correlation between LA of ICFC to Size of Finance of ICFC is .511 which is negative relationship between LA and Size of Finance of ICFC

4.3 Regression Analysis

In statistical modeling, regression analysis is a set of statistical processes for estimating the relationships between a dependent variable (often called the 'outcome' or 'response' variable, or a 'label' in machine learning parlance) and one or more independent variables (often called 'predictors', 'covariates', 'explanatory variables' or 'features'). The most common form of regression analysis is linear regression, in which one finds the line that most closely fits the data according to a specific mathematical criterion. For example, the method of ordinary least squires computes the unique line that minimizes the sum of squared differences between the true data and that line. For specific mathematical reasons, this allows the researcher to estimate the conditional expectation of the dependent variable when the independent variables take on a given set of values. Less common forms of regression use slightly different procedures to estimate alternative location parameters.

Table 4.12: *Pearson Correlation Analysis*

Model Summary								
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2
1	.680a	.463	.292	.414189	.463	2.711	7	22

a. Dependent Variable: ROA

b. All requested variables entered.

The Pearson correlation analysis Model Summary results with VIF test and F test of the model's goodness of fit. A finding from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in above table, indicates that, the F statistic value about 2.711 and r-value is also .463. Therefore, Model Summary with ordinary least square (OLS) can be used. Similarly, the R-Square which is often referred to as the coefficient of determination of the variables is .463%. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about .680% of the variability the Return on Assets of sample commercial banks.

Model Summary	
Model	Change Statistics
	Sig. F Change
1	.035
a. Predictors: (Constant), NPA, WARS, TA, II, LA, CRR, CD	

The Model Summary results with VIF test and F test of the model's goodness of fit. A finding from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in above table, indicates that, the F statistic value about .0.35.independent variable, there is no Multi-co linearity among the independent variables. Therefore, regression model with ordinary least square (OLS) can be used. Model Summary of the Regression Analysis showing the R and Adjusted R Square of Perceived Preference-Fit on Customer Satisfaction Model Summary.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.255	7	.465	2.711	.035[b]
	Residual	3.774	22	.172		
	Total	7.029	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), NPA, WARS, TA, II, LA, CRR, CD

The calculations of ANOVA can be characterized as computing a number of means and variances, dividing two variances and comparing the ratio to a handbook value to determine statistical significance. Calculating a treatment effect is then trivial. The effect of any treatment is estimated by taking the difference between the mean of the observations which receive the treatment and the general mean.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations	
		B	Std. Error	Beta			Zero-order	Partial
1	(Constant)	.900	1.215		.741	.467		
	LA	-1.543E-8	.000	-.691	-3.548	.002	-.481	-.603
	CRR	.027	.023	.229	1.182	.250	.104	.244
	II	-.074	.062	-.216	-1.191	.246	-.243	-.246
	CD	.027	.013	.492	2.053	.052	.203	.401
	WARS	.041	.074	.102	.552	.586	-.021	.117
	TA	7.167E-10	.000	.017	.099	.922	.092	.021
	NPA	-.245	.146	-.396	-1.679	.107	.114	-.337

Table 4.12 demonstrates how correlation with ROA and EPS independently, that is displayed in the figure, was used to examine the links between the research factors represented in the framework. The findings indicate that ROA and EPS have a negative correlation (0.402) due to sample banks' high levels of accrued profit and recommended ideal capital. The matching P value, which is 0.249, is greater than the significance level of 0.05. According to statistics, there is no meaningful correlation among ROA and EPS.

Table 4.13: *Pearson Correlation Analysis*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
					R Square Change	F Change	df1	df2
1	.657[a]	.432	.243	3.57125	.432	2.283	7	21

The Model Summary results with VIF test and F test of the model's goodness of fit. A finding from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in above table, indicates that, the F statistic value about

2.283 .independent variables, there is no Multi-co linearity among the independent variables. Therefore, regression model with ordinary least square (OLS) can be used. Model Summary of the Regression Analysis showing the R and Adjusted R Square of Perceived Preference-Fit on Customer Satisfaction Model Summary.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	203.839	7	29.120	2.283	.068[b]
	Residual	267.830	21	12.754		
	Total	471.668	28			

a. Dependent Variable: ROE

b. Predictors: (Constant), NPA, WARS, TA, II, LA, CRR, CD

The calculations of ANOVA calculate the statistical significance by splitting multiple variances, calculating multiple means and variances, and comparing the ratio to a value from a handbook. After that, calculating a treatment effect is simple. Each prescription's impact is calculated by subtracting the general mean from the mean of the observations that get the treatment.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations	
		B	Std. Error	Beta			Zero-order	Partial
1	(Constant)	18.786	10.485		1.792	.088		
	LA	8.457E-8	.000	.462	2.249	.035	.511	.441
	CRR	.151	.197	.158	.769	.451	.185	.165
	II	.323	.545	.112	.593	.560	.171	.128
	CD	-.086	.116	-.187	-.741	.467	-.171	-.160
	WARS	.061	.639	.019	.096	.925	.213	.021
	TA	-1.235E-7	.000	-.361	-1.977	.061	-.306	-.396
	NPA	-.019	1.264	-.004	-.015	.988	-.301	-.003

Table 4.13 demonstrates how correlation with ROE and LA separately has been used to assess the correlations between the study variables represented within the models; the

results are displayed in the form of a table. The findings indicate a negative correlation between ROE and LA 8.457 due to the study's banks' high levels of accrued profit and recommended ideal capital. The matching P value, which is 0.249, is greater than the significance level of 0.05. According to statistics, there is no meaningful correlation among ROE and LA, accordingly.

4.4 Discussion

The ROA Ideal Ratio is 2 times. The comparative study of 10 years period shows that GWF and NFL have been properly utilizing its assets to increase the turnover than ICFC. As a finding the ICFC are under utilization of own assets compare to the GWF and ICFC. The consistency point of views NFL of ROA ratio are more consistency and better than ICFC and GWF. The standard deviation of NFL and GWF are higher so NFL and GWF are little bit more risk to invest by shareholders. It finds that, the NFL of ROA became to meet maximum value among the GWF and ICFC. The above analysis of data; ICFC and NFL Finance are more generate interest income to compare GWF respectively.

The table that the correlation between Loan and advance ratio of ICFC to return on assets ratio of ICFC is -511 which means there is a negative correlation between LA and ROE ratio of ICFC. Similarly, the correlation between LA ratio of ICFC to Interest Income / Loan and Advance ratio of ICFC is .171, which is negative relationship between the LA and Interest Income / Loan and Advance ratio of ICFC. However, the correlation between LA of ICFC to Weighted Average Interest Rate Spread ratio of ICFC is -.224. Similarly, the correlation between LA of ICFC to Size of Finance of ICFC is .511 which is negative relationship between LA and Size of Finance of ICFC.

The correlation between Loan and advance ratio of ICFC to return on assets ratio of ICFC is -511 which means there is a negative correlation between LA and ROE ratio of ICFC. Similarly, the correlation between LA ratio of ICFC to Interest Income / Loan and Advance ratio of ICFC is .171, which is negative relationship between the LA and Interest Income / Loan and Advance ratio of ICFC. However, the correlation between LA of ICFC to Weighted Average Interest Rate Spread ratio of ICFC is -.224. Similarly, the correlation between LA of ICFC to Size of Finance of ICFC is .511 which is negative relationship between LA and Size of Finance of ICFC. The consistency point of views, GWF became more uniforms than other sample finance. The earning pint of views, NFL finance has highest interest earning finance to compare ICFC and GWF respected 10 years period. The descriptive study of private ownership finance. ICFC and NFL finance have been more utilization depositor's money on loans and advances than GWF and NFL with objective to earn profit but GWF and ICFC finance seen more uniforms than NFL. The risk portion of depositor's money on loans and advances of ICFC seen more risky than other sample finance. The management team of ICFC seems to be aggressive as they have higher proportion of loans and advances to total deposit.

It clears that, ICFC finance are successful to utilize the depositors fund to earn profit by providing loans and advances by quickly collected deposits total is converted into loan and advances given to the clients to earn income to compared NFL and GWF. The weighted average interest rate spread ratio of GWF and ICFC are higher than NFL and NFL and according to the principal of high risk high gain while the GWF and ICFC returned is highly but risky then NFL because the GWF and ICFC interest rate spread are higher than NFL. Coefficient of variation point of views, GWF and NFL seen more uniforms than ICFC, it finds that GWF is more risky but more homogenous compare to other sample finance. The descriptive analysis of data, GWF and ICFC earns are higher NFL. As a result higher the ratio better is the profitability of the finance.

The consistency point of views, ICFC finance seen more consistency to compare other sample finance. This enormous range indicates the factors are variable in light of the variation in the offered basic descriptive statistics. The major finding result shows that the correlation between Loan and advance ratio of ICFC to return on assets ratio of ICFC is-0.884, it means there is a negative correlation between LA and ROA ratio of ICFC. The corresponding P value is 0.47, which is more than significance level i.e. 0.05, Hence there is no significance relationship between LA and ROA ratio of ICFC. There is negative relationship between correlation between LA ratio of ICFC to Interest Income/Loan and Advance ratio of ICFC as well as Insignificance relationship between LA and Interest Income / Loan and Advance ratio of ICFC. There is negative correlation between LA of ICFC to Weighted Average Interest Rate Spread ratio of ICFC and both of them no significance relationship between LA and Weighted Average Interest Rate Spread ratio of ICFC. There is negative correlation between LA of ICFC to Size of

Finance of ICFC is -.296, and the corresponding P value are 0.628 that is greater than the significance level of 0.05, meaning that there's no significant relationship with LA and ICFC's size of finance.

.The correlation between loan and advance to Cash reserve ratio of ICFC is -0.058, it means there is negative relationship between LA and CRR of ICFC. Hence there are no significance effects between LA and CRR of ICFC. The negative correlation between Loan and Advance of GWF to Interest Income / Loan and Advance ratio of GWF as well as statistically no significance relationship between LA and Interest Income /Loan and Advance ratio of GWF. The LA of GWF to C-D ratio of GWF is -0.98, which is negative relationship between the LA and C-D ratio of GWF and no significance relationship between LA and C-D ratio of GWF. The correlation between LA of GWF to Weighted Average Interest Rate Spread ratio of GWF is -0.86, which is negative relationship between the LA and Weighted Average Interest Rate Spread ratio of GWF. The corresponding P value is 0.451, it is greater than the significance level, or 0.05, indicating that there's no meaningful connection with LA and weighted average interest rate spread ratio of GWF. The correlation between LA of GWF to Size of Finance of GWF is -0.891, which is negative relationship between LA and Size of Finance of GWF. The corresponding P value is 0.942, this is higher than the significance level, or 0.05, meaning that there are no significant relationships among LA and the amount of GWF's financing. The correlation between LA of GWF to CRR ratio of GWF is -.0891, it means there is negative relationship between LA and CRR of GWF. The corresponding P value is .0893 which is more than significance level i.e. 0.05, Therefore, there's no meaningful differences in the CRR and LA of the GWF, accordingly. Since the matching P value is.075, which is greater than the significance level of 0.05, the relationship among LA and the Interest Income/Loan and Advance ratio is not significant.

Similarly, the correlation between LA of ROA ratios of NFL is -.741, which is negative relationship between the LA and ROA ratio. The correlation between LA of Weighted Average Interest Rate Spread ratios of NFL is -.587, which is negative relationship between the LA and Weighted Average Interest Rate Spread ratio of. The corresponding P value is 0.298, which is more than significance level is no significance relationship between. The correlation between LA of GWF to size of finance of GWF is -.823, which is negative relationship between LA and CRR. The correlation between Loan and Advance of NFL to Interest ROA ratio of NFL is -.507, it is negative relationship between LA and ROA ratio of NFL. There is no significance level between the NFL's LA to ROA ratio and 0.05, as indicated by the matching P value of 0.384. The correlation between Loan and Advance of NFL to Interest Income / Loan and Advance ratio of NFL is -0.874, it is negative relationship between LA and Income / Loan and Advance ratio of NFL. There is no significant relationship among LA and the Interest Income / Loan and Advance ratio of NFL as the matching P value is.052, which is greater than the significance level, or 0.05.

The correlation between ROA ratios of NFL to C-D ratio of NFL is -.737, which is negative relationship between the LA and C-D ratio of NFL. Since the matching P value of.156 is higher than the significance level of 0.05, there's no significant relationship among the LA and C-D ratio of the NFL. More ever, the correlation between LA of NFL to Weighted Average Interest Rate Spread ratio of NFL is -.770, which is negative relationship between the LA and Weighted Average Interest Rate Spread ratio of NFL. The equivalent P value is.128 beyond the significance level of 0.05indicating that there are no significant differences within the NFL's Weighted Average Interest Rate Spread ratio and LA. More ever, the correlation between LA of NFL to Size of Finance of NFL is .966, which is positive relationship between the LA and Size of Finance of NFL. There are no significant differences among LA and NFL Finance Size, as indicated by the matching P value of.007, that is greater than the significance level of 0.01.The correlation between LA of NFL to CRR NFL is -0.196, which is negative relationship between LA and CRR ratio of NFL. Since the related P value of 0752 is greater than the significance level of 0.05, there's no significant relationship among the NFL's cash reserve ratio and LA.

The table shows the results of testing the associations between the research variables represented in the framework using correlation with ROE and LA individually. The findings indicate a negative correlation between ROE and LA 8.457 due to the sample banks' high levels of accrued profit and recommended ideal capital. The matching P value, which is 0.249, is greater than the significance level of 0.05. According to statistics, there is no meaningful correlation with ROE and LA, accordingly. Descriptive statistics reveal that during the research period, the ROE achieved a mean ratio of 22.9393%. Over a ten-year period, the standard deviation is 4.104 percent. Conversely, LA achieved a mean of 43375562.52%, while its standard deviation was 29% percent. Comparably, throughout the previous 10 years, the CRR has averaged 17.1217% and the S.D. has recorded 4.28880%. Throughout the course of the investigation, the dividend payout ratio variable achieved a mean of 29% with a standard deviation of 4.28880 percent. Similarly, the variable of dividend yield of banks mean ratio occurred 29 and S.D. has registered in 5.5659 percent in the study period. Finally, the variable of market value per share ratio of mean at 7.25% this variable has standard deviation is 1.24 percent during the ten years period.

CHAPTER-V
SUMMARY AND CONCLUSION

5.2 Summary

The finance industry in Nepal has expanded significantly. Because they can raise more money, Finance Company has an edge in offering a wide range of financial services to its clients. The primary aim of this research is to identify the factors that influence the financial performance of finance companies in Nepal. Additionally, the study aims to investigate the impact of internal factors and finance-specific characteristics on the financial performance of these companies. The study used secondary panel data that was gathered over a ten-year period (2011/012 to 2020/021) from 3 Finance Company Nepal. For estimating, the fixed effects model is employed. The significance thresholds were set at 1% and 5%.

Estimation results showed that interest income to loan and advance is negative correlation and statistically no significance, total credit-deposit ratio is positive correlation but statistically, significance. Similarly, loan and advance ratio of GWF with positive but statistically no significance, C-D ratio with positive and statically no significance level, weighted average interest rate spread ratio with positive relationship but statically no significance level, size of finance with negative relationship but statically, significance effects of GWF. Moreover, interest income / loan and advance ratio with positive relationship but statically no significance C-D ratio with positive relationship but statically no significance level, weighted average interest rate spread ratio with positive relationship but no significance, size of finance with negative relationship but statically, significance effects between return on assets and size of finance of ICFC respectively. Similarly, interest income/loan and advance ratio with positive relationship but statically, no significance effects, C-D ratio with positive relationship but no significance, weighted average interest rate spread ratio with positive relationship between but no significance effects, size of finance with negative relationship but statically no significance effects with the return on assets of NFL respectively. The average influence on the loan and advance will increase by 0.021 percent of GWF if we raise the sum of the credit deposit ratios by 1%, according to the regression coefficient study, which shows that the regression coefficient of total credit deposit ratios (X2) is 0.021.

The weighted average interest rate spread's regression coefficient (x3) in the regression coefficient study is 0.072, meaning that a rise of 1% in the entire weighted average interest rate spread would result in a 0.072 percent increase in the average influence on loans and advances. According to the regression coefficient study, the regression coefficient of (Finance size) total assets (X4) is 2.9, meaning that a one percentage point increase in Finance size (total assets) would result in a 2.9 percent rise in average impact on loans and advances at NFL Finance Limited. Based on the study's findings, the sample finance company may also want to reevaluate its approach to pricing, provide more alluring items, and uphold stronger financial connections with its customers.

Finally, From the estimation results, it finds that finance size, total credit -deposit, interest rate spread, cash reserve ratio, loan and advance, interest income to loan and advance are significant in determining Financial performance in Nepalese’s finance Company where as no time did the size of finance affect. Financial performance was positively impacted by financial size in a statistically insignificant way. Therefore, it may be concluded that the size of the finance sector has little bearing on its financial results. The benefit of capitalization suggests that Nepali finance companies have enough easily covered assets to meet both short- and long-term obligations. The volume of credit deposit ratio significantly and favorably affects the financial performance levels of Nepali finance companies. Additionally, the results demonstrated that rates of interest were favorably and strongly linked with consumers' return on assets.

5.2 Conclusion

Achievement can be accomplished by offering appealing packages within a suitable risk management framework and differentiated loan offerings. In addition, the finance company must to make every effort to maintain equilibrium while setting loan rates. This would enable them to keep a very positive financing relationship with their borrowers while also helping them to afford the costs related to financial performance. In order to ensure that the impact of regulatory measures on the finance company is considered throughout the policy-formulation phase, there should also be increased collaboration and engagement among the regulatory bodies and the financial institution.

In order to make up for the deficit in interest income, a financial institution might possibly boost profit by booking more loans than they've performed in the past. Finance companies must consequently maintain a sufficient amount of cash on hand to satisfy consumer needs because loans are frequently paid back with cash. The results of the research showed that the finance company's loan and advance are influenced through the C-D ratio.

Hence the finance industry should work hard to handle deposits effectively in order to meet its financial goals and preserve the greatest possible multiplier effects. The financial results and behaviors drivers in a specific group of Nepali finance companies were determined by this study. The present study suggests conducting additional research to supplement the results obtained from this particular study. Specifically, it suggests investigating the impact of monetary policies on the lending practices of financial institutions.

5.3 Implications

The results of the study showed that there is an inverse link between the total amount of loans provided by the financial institution and the variation in finance interest rates. This means that high interest rates deter borrowing, and vice versa. Additionally, there is proof of a substantial negative correlation with the loan and advance made by Nepalese finance organization and the average interest rate spread.

This implies that the financial performance to the private sector declines as the financial achievement rate rises. The study's conclusions demonstrated that the size of the finance company and the overall credit-deposit ratio have a significant impact on the loans and advances made by the financial institution. Therefore, in order to maximize interest revenue, financial companies need to come up with new and creative ways to grow the loan book. In order to reduce or eliminate their credit risk, finance companies in Nepal should place more attention on certain financial performance guidelines, including credit rating and loan purpose. The main asset and source of income for financial institutions is the loan portfolio, therefore they must put more money in it. Finance will be able to effectively and sustainably meet the liquidity commitment to its debtors by doing this. Last but not least, close collaboration between Nepal's finance company and regulatory bodies is necessary for maintaining a sound regulatory finance system that would promote economic expansion.

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ABSTRACT Nepal's finance sector has expanded significantly. Because they can raise more money, Finance Company has an edge in offering a wide range of financial services to its clients. The primary aim of this research is to identify the factors that influence the financial performance of finance companies in Nepal. Additionally, the study aims to investigate the impact of internal variables and finance-specific features on the financial achievement of these companies. Therefore, it may be concluded that the size of the finance sector has little bearing on its financial performance. The benefit of capitalization suggests that Nepali finance companies have enough easily covered assets to meet both short- and long-term obligations. The volume of credit deposit ratio significantly and favorably affects the financial performance volumes of Nepali finance companies. Additionally, the results demonstrated that interest rates had a favorable and considerable impact on customers' return on assets. The study's conclusions showed that there is an inverse link between the total amount of loans given by the finance company and the spread in finance interest rates, meaning that high