FINANCIAL PERFORMANCE OF
JOINT VENTURE BANKS IN NEPAL

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

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled FINANCIAL PERFORMANCE OF JOINT VENTURE BANKS IN NEPAL. 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. Anju Poudel has defended research proposal entitled FINANCIAL PERFORMANCE OF JOINT VENTURE BANKS IN NEPAL, 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 Asso. Prof. Dr. Kapil Khanal and submit the thesis for evaluation and viva-voce examination.

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We, the undersigned, have examined the dissertation entitled FINANCIAL PERFORMANCE OF JOINT VENTURE BANKS IN NEPAL presented by Ms. Anju Poudel 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

AD	=	Anno Domini
BS	=	Bikram Sambat
CB	=	Commercial Bank
CRR	=	Cash Reserve Ratio
CV	=	Coefficient of Variation
EPS	=	Earnings Per Share
FY	=	Fiscal Year
GDP	=	Gross Domestic product
HBL	=	Himalayan Bank Limited
i.e.	=	That is
JV	=	Joint Venture
LM	=	Loan Management
Ltd.	=	Limited
MBS	=	Master of Business Studies
NBBL	=	Nepal Bangladesh Bank Limited
NBL	=	Nepal Bank Limited
NEPSE	=	Nepal Stock Exchange
NPA	=	Non Performing Assets
NRB	=	Nepal Rastra Bank Limited
P.E	=	Probable Error
PCBL	=	Prime Commercial Bank
r	=	Coefficient of correlation
r^2	=	Coefficient of determination
ROA	=	Return on Assets
SCBNL	=	Standard Chartered Bank Nepal Limited
SD	=	Standard Deviation
TA	=	Total Assets

ABSTRACT

The aim of this study is to assess the financial performance of seven commercial banks operating in Nepal, namely Himalayan Bank Limited, NABIL Bank Limited, Standard Chartered Bank Nepal Limited, SBI Bank Limited, Everest Bank Limited, NMB Bank Limited, and Nepal Bangladesh Bank Limited over the period from 2014/015 to 2022/023. The study employs quantitative analysis focusing on various financial metrics commonly used to evaluate bank performance. Key ratios such as profitability, liquidity, tangibility, size, and capital structure are utilized as reliable indicators of bank performance. The research investigates the significance and impact of key variables including Return on Assets (ROA), Earnings per Share (EPS), Size, Tangibility (Fixed Assets to Total Assets ratio - FA/TA), Liquidity (Loan and Advance to Total Deposit ratio - LA/TD), and Capital Structure (Total Debt to Total Assets ratio) across the selected banks (NMB, HBL, SCBNL, NABIL, SBI, EBL, and NBBL). The findings indicate a notable improvement in the overall financial performance of these banks over the eight-year period under analysis. Regarding statistical methods, the study utilizes correlation and regression analyses to test the relationships and significance of the identified variables. The regression model highlights that Return on Assets (ROA) positively influences Earnings per Share (EPS), Fixed Assets to Total Assets ratio (FA/TA), and Loan and Advance to Total Deposit ratio (LA/TD), while it negatively impacts the number of branches and Total Debt to Total Assets ratio. The study concludes that EPS and ROA have a significant and positive impact on the profitability performance of the sample banks, underscoring their stable capitalization and profitability throughout the study period. These findings suggest that the banks remained in a sound financial position despite fluctuations in economic conditions. This research provides insights into the financial health and performance of Nepalese commercial banks, emphasizing key metrics and their impacts on profitability, liquidity, and capital structure, thereby contributing to the understanding of the banking sector's dynamics in Nepal.

Key Word: Financial Performance of Joint Venture Banks in Nepal

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

Banks are crucial financial institutions that play a pivotal role in aggregating and efficiently allocating scattered and insufficient savings. Many individuals save small amounts of money opportunistically, often because they lack an immediate need for it. Depositing these savings in banks provides security and the potential for future use. When individuals do require their savings, having deposited them in banks ensures accessibility. Borrowers pay interest to banks for the use of money, while the banks, in turn, compensate depositors with interest. Banks generate profits by charging a higher interest rate on loans than they pay on deposits. Banking encompasses receiving, safeguarding, and effectively utilizing financial resources. Banks are integral to the economy, serving as the lifeblood of modern commerce. Their role in economic development is paramount, underpinning industrial growth and overall economic vitality. Any disruption in banking operations, even brief ones, could severely disrupt modern business and economic activities. Nepal's industrial history is relatively nascent compared to developed nations. Challenges such as inadequate infrastructure, a shortage of risk-taking entrepreneurs, geographic complexities, an open border with India, and political instability hinder industrialization efforts. Addressing these obstacles is crucial to fostering industrial growth in Nepal, which is vital for comprehensive national development (Adedoyin & Sobodun, 1991).

Industrializing a country requires substantial capital, which is facilitated through a robust money market. The development of banks and financial institutions is crucial in nurturing both the money market and capital market. These institutions play a pivotal role in channeling idle savings into productive sectors, thereby fostering economic development. Consequently, the vitality of a country's economy hinges on the growth and enhancement of its banking and financial sectors. Expanding investment opportunities is imperative for the continued development and prosperity of these sectors (Mandal, 2017).

A crucial element in a country's development is the effective mobilization and productive investment of domestic resources across various sectors. Commercial banks play a pivotal role in this process by crafting robust financial policies in accordance with directives from the Nepal Rastra Bank (NRB). These policies are designed to optimize the allocation of resources, balancing both quality and quantity of investments, thereby aiming for profit maximization and societal benefit. Sound financial policies and efficient collection procedures are essential drivers of economic growth. Nepal's organized financial system has a relatively recent history compared to other global counterparts, with the banking sector's development spanning approximately a decade (Mohammed et al., 2022).

The concept of a banking system was first introduced in Nepal when Nepal Bank Ltd. was established in 1937 AD. Its formation aimed to support the government's initiatives for fostering economic and business activities within the country. Recognizing the necessity for another financial institution, the Nepal Rastra Bank was founded in 1956 AD as the central bank. Its primary objectives were to oversee, safeguard, and regulate the operations of commercial banks, as well as to perform central banking functions. Responding to further banking needs, Rastriya Banijya Bank was established in 1966 AD with the goal of extending banking services to both rural and urban areas. The country subsequently embraced economic liberalization in 1980 AD, which led to the invitation for foreign banks to operate in Nepal. This era also witnessed the introduction of joint venture banks in 1984, marking a pivotal shift in the financial landscape. Over time, the number of commercial banks has steadily increased. Since then, various financial institutions such as joint venture banks, domestic commercial banks, development banks, finance companies, cooperative banks, the Credit Guarantee Corporation, the Employee Provident Fund, the National Insurance Corporation, and the Nepal Stock Exchange have emerged. These institutions collectively cater to the diverse financial needs of the nation, thereby contributing significantly to its financial development (Bhandari, 2003).

The Bank Supervision Department (BSD) in Nepal has adopted international supervisory practices, incorporating them into the framework of Nepalese laws that are pertinent to banking operations. Initially focusing on compliance-based supervision, BSD is actively transitioning towards a Risk-Based Supervision (RBS) approach. This strategic shift aims to enhance the effectiveness of supervision by prioritizing risk assessment and management within commercial banks, aligning with global standards while addressing local regulatory requirements.

1.1.1 Profile of the Selected Joint Venture Banks

A) Everest Bank Limited

Everest Bank Limited (EBL), established as a joint venture with Punjab National Bank (PNB) of India, aims to deliver professional banking services across various segments of Nepalese society, thereby contributing significantly to the country's economic development. The bank commenced its formal operations on October 18, 1994. Punjab National Bank, renowned for its century-old tradition of successful banking and robust financial standing, has implemented modern banking procedures that serve as a cornerstone for EBL. Under a technical services agreement between the two institutions, PNB provides top management services to EBL. EBL operates with the primary objective of offering a comprehensive range of high-quality banking services to both the business community and the general public (Source: www.everestbankltd.com).

(B) Standard Chartered Bank Nepal Limited

Standard Chartered Bank Nepal Limited commenced operations in Nepal in 1987 as a joint-venture entity. It is now an integral part of the Standard Chartered Group, with the group holding a 75% ownership stake, while 25% of the shares are owned by the Nepalese public. The bank is recognized as the largest international bank operating in Nepal.

Standard Chartered Group has a rich history spanning over 150 years in global banking and maintains a significant presence in over 70 countries worldwide, including the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom, and the Americas. With a network that includes more than 1700 branches, subsidiaries, associates, and joint ventures, Standard Chartered serves diverse markets and employs approximately 87,000 people from over 115 nationalities.

In Nepal, Standard Chartered Bank operates through 15 points of representation and 23 ATMs nationwide, supported by a team of more than 450 local staff. This extensive domestic presence, combined with the global network of the Standard Chartered Group, enables the bank to offer comprehensive international banking services within Nepal. The bank caters to a wide range of clients, including individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels, as well as diplomatic missions, aid agencies, NGOs, and INGOs. (Source: www.sc.com.np)

(C) Nabil Bank Limited

Nabil Bank Limited, established in July 1984 as Nepal's first private sector bank, aimed to introduce modern banking services of international standards across various sectors. With 74 branches nationwide, Nabil offers a comprehensive range of commercial banking services. Additionally, it has a network of over 1500 Nabil Remit agents throughout Nepal, enhancing its reach and accessibility. Recognized as a pioneer in the Nepalese banking sector, Nabil Bank has introduced numerous innovative products and marketing strategies, marking a significant milestone in the country's banking history. Customer satisfaction is central to its business philosophy. The bank is managed by a highly qualified and experienced team, overseeing day-to-day operations and ensuring effective risk management. Nabil Bank is equipped with modern technology, including international standard banking software that supports electronic channels and transactions. The bank is guided by its mission to become the "1st Choice Provider of Complete Financial Solutions" for all stakeholders, including customers, shareholders, regulators, communities, and staff. This commitment is encapsulated in its brand promise, "Together Ahead." The values embraced by the entire Nabil team emphasize customer focus, results orientation, innovation, synergy, and professionalism. These values underscore Nabil Bank's dedication to delivering excellence across multiple dimensions, not solely focused on profitability or market share (Source: www.nabilbank.com).

(D) Himalayan Bank Limited

Himalayan Bank Limited was established on January 18, 1993, under the Company Act of 1964, and began operations in February of the same year. It is noteworthy as the first joint venture bank in Nepal managed by a Nepali chief executive, in partnership with Habib Bank Limited of Pakistan. The bank's shareholding structure comprises 20% ownership by Habib Bank Limited, 14% held by Nepali private sector promoters, 51% by Nepalese investors, and 15% by the general public. Himalayan Bank Limited is committed to delivering high-quality service to its esteemed customers with a personalized approach. The bank emphasizes treating all customers with utmost respect and courtesy as valued clients. Its strategic focus includes providing innovative and personalized banking solutions through the latest banking technologies. This commitment has enabled the bank to enhance service levels and prepare for the adoption of future technologies. Currently, Himalayan Bank offers services such as SMS banking and internet banking, with plans to introduce additional modern services in the near future, aligning with its dedication to continuous improvement and innovation in customer service (Source: www.himalayanbank.com).

(F) Nepal SBI Bank Limited

Nepal SBI Bank Ltd. (NSBL) operates as a subsidiary of the State Bank of India (SBI), holding a majority ownership of 55%. Local partners, including the Employee Provident Fund with 15% equity and the general public with 30%, also contribute to its ownership structure. Under a Technical Services Agreement between SBI and NSBL, the State Bank of India provides managerial support through expatriate officers, including the Managing Director who serves as the CEO of the bank. The Central Management Committee (CENMAC), comprising the Managing Director & CEO, Chief Operating Officer & Deputy CEO, Chief Financial Officer, Chief Risk Officer, and Chief Credit Officer, oversees the bank's operations. This committee operates with the assistance of three regional offices to ensure effective control and management functions. State Bank of India, established over 211 years ago, stands as India's largest commercial bank, leading in terms of assets, deposits, profits, branches, customers, and workforce. It is a Fortune 500 company with majority ownership by the Government of India. In line with its expansion efforts, Nepal SBI Bank established its wholly owned merchant banking subsidiary, Nepal SBI Merchant Banking Ltd., in 2016 (Source: www.nepalsbibank.com.np).

(G) Nepal Bangladesh Bank Limited (NBBL)

Nepal Bangladesh Bank Ltd. (NBB), also known as NB Bank, is a publicly owned commercial bank in Nepal. Established in June 1994, it operates as a joint venture with IFIC Bank of Bangladesh. The bank began with an authorized capital of Rs. 240 million and a paid-up capital of Rs. 60 million. Its headquarters is located at Kamaladi-28, Kathmandu. NBB has a widespread presence with a network that includes 99 branches, 8 Extension Counters, and 5 Branchless Banking units. Additionally, it operates 78 ATM terminals across various locations. The bank offers modern banking services such as e-banking and mobile banking, catering to the convenience and needs of its diverse customer base (Source: www.nbb.com.np).

(H) Nepal Merchant Bank Limited

NMB Bank Nepal, headquartered in Kathmandu, operates as a commercial bank licensed by Nepal Rastra Bank, the central bank of Nepal. The bank boasts a network of 163 branches nationwide, offering a comprehensive range of retail and commercial banking services. It expanded its reach through the acquisition of Om Development Bank. NMB Bank Nepal's shares are publicly traded on the Nepal Stock Exchange, reflecting its transparent ownership structure and commitment to market accountability. Notably, the bank has entered into a joint venture agreement with the Netherlands Development Finance Company (FMO), a Dutch development bank. FMO holds a significant 17% stake in NMB Bank Nepal, making it the largest shareholder of the bank (Source: www.nmbbanknepal.com).

1.2 Problem Statement

The commercial banking industry in Nepal is currently in a developmental phase, closely regulated by the Rastra Bank of Nepal, the country's central bank. Compliance with regulatory directives is mandatory for all financial institutions. Encouraging robust financial performance is crucial as it facilitates the transfer of funds into productive sectors, thereby stimulating economic growth. However, lending activities also entail credit risk, which arises when borrowers fail to meet their contractual obligations, impacting the overall transaction.

It is widely acknowledged that Nepalese banks and financial institutions are grappling with a significant challenge posed by increasing non-performing assets (NPAs). This issue has become increasingly difficult to manage, posing a serious concern for the banking sector. This study aims to address these pressing issues and explore potential solutions.

This research focuses on identifying and analyzing the challenges within the commercial banking sector in Nepal, particularly with joint venture banks. The study aims to address the following inquiries:

i. What is the current financial performance status of joint venture banks in Nepal?

ii. How are return on assets, return on equity, earning per share, fixed assets to total assets, loan and advance to total deposit, total deposit to total assets, and bank size interrelated?

iii. What is the impact of return on assets and return on equity on earning per share, fixed assets to total assets, loan and advance to total deposit, total deposit to total assets, and bank size?

1.3 Objective of Study

The primary objective of this study is to analyze the financial performance management practices adopted by a selected sample of banks and provide actionable recommendations. The specific objectives are as follows:

i. To assess the current financial performance status of joint venture banks operating in Nepal.

ii. To examine the relationships among key financial metrics such as return on assets, return on equity, earning per share, fixed assets to total assets, loan and advance to total deposit, total deposit to total assets, and bank size.

iii. To analyze the impact of return on assets and return on equity on variables including earning per share, fixed assets to total assets, loan and advance to total deposit, total deposit to total assets, and bank size.

1.4 Rationale of the Study

This study holds significant importance in the realm of financial performance analysis for the management and owners of the selected banks. It enables them to comprehensively assess their strengths and weaknesses, offering insights into potential areas for improvement through recommendations outlined in the report. Moreover, they can benchmark their performance against that of their immediate competitors, considering similarities in structure, size, capital, and services.

Shareholders also stand to benefit as they are primarily concerned with the current and future profitability of the banks. Understanding the financial position helps them gauge the bank's earning potential and overall safety. Similarly, debenture holders are interested in the bank's ability to pay interest, making this analysis crucial for their investment decisions.

Employees of the banks can derive value from the report as well, as it provides visibility into profitability which directly impacts bonuses and other incentives. It also allows them to evaluate fairness in compensation compared to other banks in the sector.

For depositors, customers, and the general public, this study offers insights that aid in making informed choices among the banks for their banking transactions. It enhances transparency and facilitates better decision-making by providing a clear understanding of each bank's financial health and performance.

Overall, this study serves as a valuable tool for stakeholders across different domains, enabling them to make informed decisions and take actions that contribute to the sustainable growth and stability of the banking sector.

1.5 Limitation of Study

This research has certain inherent limitations that need to be acknowledged. Firstly, constraints in resources may restrict the scope of exploration and limit the ability to uncover new aspects within the topic. Additionally, the reliability of statistical tools utilized and the lack of extensive research experience pose significant challenges.

i. The study specifically focuses on evaluating the asset quality management of seven banks: NMB, SCB, SBI, HBL, NBBL, NABIL, and EBL.
ii. It aims to examine the impact of CAMEL (Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity) on bank performance, particularly in determining the financial performance of joint venture banks in Nepal.
iii. It's important to note that this research is confined primarily to the aspect of financial performance, specifically in relation to loans and advances.
iv. The analysis relies solely on secondary data, covering a period of seven years, which may affect the accuracy and reliability of the findings based on the available information.

CHAPTER-II
LITERATURE REVIEW

2.1 Conceptual Review

The literature review provides an extensive overview of bank financial performance, focusing particularly on financial performance management and the factors influencing it. Loans are emphasized as pivotal income-generating assets within commercial banks, often considered the core of their operations due to their substantial transaction volumes and significant portion of investment activities. They constitute a major component of the asset side of a bank's balance sheet and contribute substantially to its income statement. However, loans also carry inherent risks, particularly credit risk, which refers to the risk of non-repayment. The effective management of loans is critical in mitigating these risks. Loan management encompasses strategies and systems aimed at handling loan exposures stemming from corporate bonds and loan derivatives. The return on investments from loans is typically a primary income source for commercial banks. It is essential to note that many banks globally face challenges and failures due to the devaluation or non-repayment of loans. Therefore, effective loan management practices are indispensable for ensuring the stability and profitability of banks. Management systems play a crucial role in overseeing and optimizing loan-related activities to enhance overall financial performance (Adedoyin & Sobodun, 1991).

Credit provision by banks is widely recognized as essential for fostering economic growth. Effective loan management underscores the importance of robust credit risk analysis to mitigate potential risks. The primary objective of financial performance management is to minimize a bank's exposure to credit risk while keeping it within acceptable limits. Performing loans contribute positively to societal benefits, whereas non-performing loans can erode existing capital, necessitating rigorous scrutiny of loan proposals to minimize credit risk. Financial performance serves as the cornerstone of banking operations, demanding skill and adeptness from bank management. Banks must generate sustainable profits, maintain liquidity, and ensure safety while managing financial performance across various sectors of the economy. Achieving these objectives requires adept policy formulation and implementation. The theoretical underpinnings of financial performance emphasize the asymmetry of information between banks and borrowers, which influences their bargaining power. This information asymmetry forms the basis for various indicator variables frequently employed in empirical studies to assess financial performance relationships. Fundamentally, commercial banks fulfill a critical role by providing credit to stimulate economic activities (Adedoyin & Sobodun, 1991).

Loan and advances are the largest component of banks' total assets and serve as the primary profit-generating source. Credit represents the most significant income-generating asset in the portfolios of many banks. Consequently, banks allocate substantial resources to assess, monitor, and manage credit quality effectively. Therefore, understanding financial performance management is essential for banks to achieve sustainable and reputable profits from their credit portfolios (Nwankwo, 2000).

The growth and development facilitated by commercial banks hinge significantly on conducting financial transactions with trust and confidence, while minimizing risks (John, 1998). Financial decisions related to performance carry inherent risks, necessitating caution and strategic acumen in banking operations. Successful execution of financial performance activities largely depends on the proficiency of credit analysts in conducting thorough credit analysis, preparing presentations, structuring deals, and reporting outcomes (Ezirim, 2005).

Financial performance management stands as the pivotal determinant of a bank's strength. Key factors influencing this include the quality of the loan portfolio, composition of risk assets, and efficacy of credit administration systems. Of these, loan provision constitutes a primary function for banks, crucially fostering the growth of new businesses and thereby enhancing national economic health. The role of bank loans in economic development is thus invaluable. Typically, bank loans manifest in four primary forms: overdrafts, cash credits, direct loans, and bill discounting. Loans and advances comprise a significant portion of a bank's assets, with interest income from these loans being a major contributor to overall bank profitability. Additionally, fiscal and monetary policies can influence the decisions of informed customers to engage with banks, affecting the financial performance management of commercial banks (Chizea, 1994).

A crucial measure in this regard is the interest rate disincentive, where interest rates have been kept so low that they are effectively negative in real terms within the country. Some studies have identified a bidirectional causal relationship between interest rates and economic growth, while others suggest a unidirectional causality from economic growth to the financial performance of banks. Nevertheless, economic growth is widely recognized as a primary determinant of bank credit. Real economic output drives financial development, with economic growth leading to increased activities in agriculture, industry, hydro-electricity, infrastructure, and other sectors that necessitate greater bank credit. Concurrently, higher national income results in increased deposits. Thus, economic growth positively influences bank credit, illustrating a unidirectional causality from the real sector to the financial sector (Oluitan, 2012).

Research indicates a clear unidirectional causal relationship from GDP to private sector credit, with inflation representing another determinant of bank lending to the private sector. There are divergent perspectives in literature regarding the impact of inflation on real private sector credit. Some scholars argue that inflation negatively affects bank credit, while others contend that it can have a positive impact. Nevertheless, lending is a fundamental function of banks, crucially contributing to the growth of new businesses and enhancing national economic well-being. The role of bank loans in economic development is therefore highly significant. Banks typically offer loans in four primary forms: overdrafts, cash credits, direct loans, and bill discounting. Loans and advances constitute a substantial portion of a bank's assets, with interest income derived from these loans being a major source of profitability. However, if loans become non-performing or illiquid, banks may fail to achieve their targeted returns. Effective loan management is essential, involving processes such as follow-up, credit renewal, and loan settlement. Banks must establish and adhere to standards for loan decision-making, develop reliable sources of loan information, and employ sound methods of credit analysis. Key criteria considered in assessing loan financial performance include the borrower's character, capacity, capital, condition, and collateral (Timsina, 2014).

For example, the theory of bank financial performance channels primarily examines the impact of reserve requirements, whereas the pro-concentration theory centers on how bank capitalization influences financial performance. Alternatively, according to

Keynesian theory, financial performance declines during monetary contraction, leading to reduced credit availability from banks. Moreover, within the field of finance literature, various theories propose explanations for banks' financial performance (Kashyap, 1993).

In this study, the theories reviewed can be summarized as follows:

A. Loan pricing theory

This viewpoint emphasizes that banks face limitations in setting excessively high interest rates. Therefore, while aiming to maximize interest income, banks must carefully consider issues related to adverse selection and moral hazards, which arise due to significant information asymmetry in the credit market. Predicting the type of borrower accurately at the outset of a banking relationship is challenging. Setting very high interest rates can attract high-risk borrowers (adverse selection), and once these borrowers secure loans, they may engage in risky projects or investments (moral hazard). According to this theory by Chodecal (2004), finding an interest rate that appropriately reflects the risk associated with borrowers can be problematic for banks. It suggests that loans extended to the public may not always lead to profitable outcomes in the long run.

B. Credit Market Theory

The neoclassical credit market model posits that credit market equilibrium is achieved through the adjustment of interest rates, assuming collateral remains constant. In this framework, interest rates serve as the primary price mechanism for clearing the credit market. When demand for credit rises against a fixed supply of loans and advances from banks, interest rates increase to balance the market, and vice versa. Higher default risks associated with borrowers lead to higher interest premiums, which compensate for potential losses (Ewert, 2000).

The expansion of credit demand due to low interest rates can eventually lead to currency depreciation. Therefore, central banks adjust interest rates to raise borrowing costs. Commercial banks respond by raising their interest rates, which can constrain their financial performance activities over the long term. Additionally, central banks may enforce higher cash reserve requirements as a macroeconomic tool to limit available credit, further restricting commercial banks' financial activities (Bolton &

Freixas, 2001). This scenario often leaves commercial banks with few alternatives, potentially reducing their overall financial performance volumes.

C. Moral Hazard Theory

Moral hazard arises when two parties enter into a contract, characterized by two main types: hidden information and hidden action. Hidden information occurs when one party to the contract does not disclose all relevant details and associated risks. Hidden action occurs when one party takes actions that are not in the best interest of the other party and cannot be observed or managed effectively, potentially leading to moral hazard. In the context of credit markets, examining the relationship between lenders and borrowers reveals challenges for financial institutions. They may lack the ability to ensure that borrowers use loaned funds for productive purposes. Due to this information asymmetry, borrowers might choose to invest in risky projects, increasing the likelihood of default (Diamond, 2006).

2.2 Conceptual Review

This chapter explores both theoretical and empirical literature concerning the financial performance management of Nepalese commercial banks. It concludes by identifying gaps in existing research that this study aims to address. Generally, a bank is an institution that handles money, currency, and bullion. It accepts deposits in the form of currency and gold from savers and lends money to those in need under varying terms and conditions of interest and repayment. Banks compensate depositors with interest for the funds they receive and charge various fees such as processing fees, commissions, and interest from borrowers. Additionally, banks provide services like bill discounting, guarantees, letters of credit, investment in securities, and underwriting. The term "Bank" originates from the Italian word "Banco," meaning a bench. Historically, those involved in financial transactions conducted their business while seated on benches, giving rise to the term "Banco," which evolved into "Bank" over time (Timsina, 2014).

2.2.1 Concept of CAMEL Banks Rating System

In January 1997, the CAMEL acronym underwent revision as part of the Uniform Financial Institution Rating System. This system, commonly referred to as the CAMEL rating system, pertains to insured depository institutions whose primary federal supervisory agency is a member of the FFIEC. The FFIEC consists of the

Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS). The term "financial institution" within this context encompasses federally supervised commercial banks, savings and loan associations, mutual savings banks, and credit unions (John, 1998).

The CAMEL rating system, introduced in 1997, assesses banks based on five key components: Capital adequacy, Asset quality, Management efficiency, Earnings, and Liquidity. This framework includes sensitivity to market risk component, altering the acronym to CAMELS. Each component is subjectively evaluated, serving as guidelines rather than strict benchmarks, to form the basis of a composite rating. However, examiners consider additional factors beyond these components. The uniform rating system provides a foundation for regulatory response and facilitates comparative evaluations of supervised institutions. Ratings range from 1 to 5 for each component and an overall rating, reflecting both private supervisory data and publicly available information such as problem loans. The resulting CAMELS rating is a consolidated measure of a bank's financial health, essential for regulatory oversight.

2.2.2 Composite of Ratings

The composite ratings are derived from a comprehensive evaluation of an institution's managerial, operational, financial, and compliance performance. They assess six key components: capital adequacy ratio, asset quality, management capability, earnings quantity and quality, adequacy of liquidity, and sensitivity to market risk. Each component is rated on a scale from 1 to 5. A rating of 1 indicates the strongest performance and risk management practices relative to the institution's size, complexity, and risk profile, with minimal supervisory concern. Conversely, a rating of 5 reflects the most severe deficiencies in performance, inadequate risk management practices relative to the institution's characteristics, and significant supervisory concern (John, 1998). These ratings provide a standardized framework for evaluating and comparing institutions' financial health and operational soundness.

2.2.3 CAMEL Components

Each rating description for the components includes an introductory paragraph, a set of key evaluation factors specific to that component, and a concise explanation of each numerical rating assigned to the component. Certain evaluation factors are repeated across multiple components to emphasize their interconnectedness. The evaluation factors listed for each component's rating are presented without any hierarchical order (Ezirim, 2005).

A. Capital

The capital base of financial institutions plays a crucial role in shaping depositors' perceptions of risk associated with these institutions. It also serves as a critical metric for financial managers in maintaining optimal levels of capitalization. Beyond its ability to absorb unexpected shocks, a robust capital base signifies the institution's commitment to meeting its financial obligations. The primary measure widely used to assess capital adequacy is the capital to risk-weighted assets ratio (CRWA). This ratio is essential in determining how effectively financial institutions can withstand adverse impacts on their balance sheets. Therefore, monitoring capital adequacy ratios, which incorporate key financial risks such as foreign exchange, credit, and interest rate risks by assigning risk weights to assets, is crucial (Kashyap et al., 1993).

B. Asset

The condition of assets serves as a critical determinant of the stability of financial institutions, influencing their vulnerability to asset value depreciation. Asset deterioration, a significant factor leading to banking challenges, directly impacts other aspects as losses are eventually absorbed by capital, thereby affecting the institution's earning capacity. Evaluating asset quality involves assessing non-performing assets, adequacy of provisions, recovery rates, asset distribution, and related factors. The solvency of financial institutions is particularly jeopardized when their assets face impairment, underscoring the importance of monitoring indicators such as exposure to specific risks, trends in non-performing loans, and the financial health and profitability of borrowers, especially within the corporate sector (Jonas et al., 2013).

C. Management

The management of financial institutions is typically assessed based on several key factors: capital adequacy, asset quality, earnings and profitability, liquidity, and sensitivity to risk. Additionally, performance evaluation considers adherence to regulatory standards, ability to strategize and adapt to changing conditions, technical proficiency, leadership qualities, and administrative competence. Effective management significantly influences the performance of financial institutions. However, indicators of management quality are mostly relevant to individual institutions and cannot be easily generalized across the sector. Moreover, due to the subjective nature of management assessment, evaluating its effectiveness solely based on financial statements of banks can be challenging (Jao et al., 2020).

D. Earnings

Earnings represent the primary driver of capital base growth. Their assessment considers interest rate policies and the sufficiency of provisioning. Moreover, earnings play a crucial role in supporting both current and future institutional operations. The most effective metric for evaluating earnings is Return on Assets (ROA), calculated as net income after taxes divided by total assets. A robust earnings and profitability profile in banks signifies their capability to sustain present and future operations. Specifically, this capacity determines their ability to absorb losses, fund expansions, distribute dividends to shareholders, and accumulate adequate capital reserves. Given their pivotal role in safeguarding against capital erosion due to losses, the importance of strong earnings and profitability cannot be overstated. While various indicators serve this purpose, ROA stands out as the most widely accepted and reliable measure (Ibrahim, 2016).

E. Liquidity

A sufficient liquidity position refers to the ability of an institution to obtain necessary funds either through increased liabilities or by swiftly converting assets at a reasonable cost. It is typically evaluated based on overall asset and liability management, as mismatches can lead to liquidity risks. Effective fund management ensures a maintained spread between rate-sensitive assets (RSA) and rate-sensitive liabilities (RSL). The most commonly employed method for assessing interest rate exposure is the RSA-RSL Gap, while liquidity is measured using the liquid-to-total asset ratio. Even initially solvent financial institutions can face closure due to poor short-term liquidity management. Indicators must encompass funding sources and capture significant maturity mismatches. The term "liquidity" is used in various contexts, all revolving around the availability, accessibility, or convertibility of cash. An institution is deemed liquid if it can readily meet cash requirements, either from cash holdings or by raising or borrowing funds. A market is considered liquid if its traded instruments can be bought or sold in large quantities with minimal impact on prices. Similarly, an asset is liquid if it can be easily converted into cash. The liquidity hinges on the ability to access cash swiftly. This applies to corporations, markets, and individual assets, where the common thread is the readiness to convert into cash when needed (Dalayeen, 2017).

2.3 Empirical Review

Under the framework of a liberal and open policy regime, regulating the proliferation of banks and financial institutions in urban areas throughout the country poses significant challenges.

2.3.1 Review of International Articles

Alsamhi, Al-Ofairi, Farhan, Alahdal, and Siddiqui (2022) conducted a study to analyze the impact of the Covid-19 pandemic on the financial performance of selected sectors in India. The research focused on firms listed on the Bombay Stock Exchange operating within the construction, tourism and hospitality, food, and consumer sectors. Data were collected from the Prowess database, initially comprising 444 firms across these sectors, with 73 firms excluded due to missing data. Ultimately, the study analyzed a final sample of 371 firms. The findings indicated significant changes in total income, net sales, net profit, earnings per share (EPS), and diluted earnings per share (DEPS) before and after the pandemic in the tourism, hospitality, and consumer sectors. Specifically, the study noted a significant decrease in total income and net sales in the construction sector following the onset of the pandemic. However, there were no significant differences observed in net profit and earnings metrics between the periods before and during the pandemic across the sectors studied.

Pandian and Narendran (2021) conducted a study focusing on the influence of financial performance indicators on profitability within the textile industry. Financial data are widely used by organizations to allocate resources among various departments, making the analysis of financial performance indicators essential for assessing organizational financial health. The paper specifically examines how financial analysts evaluate production and productivity, profitability, liquidity, working capital, fixed assets, fund flow, and social performance within the Indian textile industry, which is a significant employer second only to agriculture. Statistical methods such as linear multiple regression analysis and t-tests were employed to analyze the data. The study emphasizes that financial performance analysis plays a crucial role in identifying both strengths and weaknesses of firms by establishing relationships between items in the balance sheet and profit and loss statement. This analytical approach is vital for ensuring that businesses operate effectively, generating sufficient returns to maintain shareholder confidence and market value. In this context, the researchers focused on analyzing the financial performance of garment companies to underscore the critical role of financial management in fostering growth and sustainability.

Wardhani, Rosalina, Elvany, and Awaluddin (2021) conducted research on the financial performance of banking institutions during the Covid-19 pandemic. The pandemic prompted companies to enhance their operational strategies, ensuring continued efficiency and optimal financial outcomes. Financial performance serves as a critical gauge of a company's financial health, and in this study, it was assessed using the DuPont system method. The objective was to analyze changes in financial performance before and during Covid-19, focusing on key indicators of the DuPont framework: Net Profit Margin (NPM), Total Asset Turnover (TATO), Financial Leverage Multiplier (FLM), Return on Assets (ROA), and Return on Equity (ROE). The study targeted listed banking companies on the Indonesia Stock Exchange (IDX) for the period from 2019 to 2020. A purposive sampling technique was employed to select a sample of 23 banking companies. The data underwent analysis using the Wilcoxon signed-rank test approach. The findings revealed that there were no significant differences in the financial performance of the banking sector before and during the Covid-19 pandemic. Consequently, banks were able to maintain financial stability despite the challenges posed by the pandemic.

Jao, Hamzah, and Laba (2020) conducted a study on the relationship between financial performance, reputation, and firm value among non-financial companies listed on the Indonesia Stock Exchange. The research aimed to explore several relationships: the impact of financial performance on reputation, the influence of financial performance on firm value, the effect of reputation on firm value, and how reputation mediates the relationship between financial performance and firm value. The study selected a sample of 108 non-financial companies listed on the Indonesia Stock Exchange from 2016 to 2018 using a purposive sampling method. Path analysis was employed as the analytical technique. Reputation was measured using the Corporate Image Index (CII) provided by Frontier Consulting Group. The findings indicated several significant relationships: financial performance positively and significantly affects company reputation, financial performance positively and significantly influences firm value, and reputation has a positive and significant impact on firm value. Moreover, reputation was found to mediate the relationship between financial performance and firm value. This research suggests that strong financial performance serves as a positive signal that enhances a company's reputation, subsequently bolstering investor confidence in the capital market.

Alardi and Altass (2019) conducted a study on the importance of transparency in financial reporting to enhance shareholder protection and improve financial performance. The research aimed to highlight the adverse effects faced by users of financial reports due to inadequate transparency levels. It emphasized the necessity of promoting transparency in financial reporting through the implementation of a proposed Transparency Index. This index was designed to meet the informational needs of financial report users effectively. The study focused on assessing the relationship between the transparency of financial reports, financial performance, and shareholder protection within the Egyptian Exchange. To validate their hypotheses, the researchers conducted an experimental study involving companies listed on the EGX50 index, excluding financial institutions. They analyzed financial statements, accompanying notes, board of director’s reports, governance reports, and sustainability reports for a three-year period (2016-2018). The findings underscored the importance of bolstering both transparency levels and shareholder protection through the proposed Transparency Index. The research addressed significant gaps in accounting research related to evaluating transparency levels in financial reporting within the Egyptian Exchange. It also highlighted the positive impacts of enhanced transparency on financial performance and shareholder protection, contributing valuable insights to the discourse on transparency and shareholder rights in this context.

Ronoh, Samson, Kibas, and Kibati (2018) conducted a study examining the impact of Business Management Training on the financial performance of Deposit Taking Saccos in Kenya. The research specifically explored how training in accounting skills, entrepreneurship skills, financial management skills, marketing management skills, and strategic leadership skills affects financial performance. The theoretical framework of the study drew from the Theory of Internal Control, Psychological Theory, Financial Stewardship Theory, Resource-Based Theory, and Porter's Theory of Competitive Advantage. The study adopted both positivistic and interpretive philosophical approaches, utilizing an explanatory survey design to address its research questions. Data collection involved structured questionnaires with Likert scales for primary data and secondary data gathered through a drop and pick later technique. The research questionnaire underwent pre-testing for reliability (Cronbach's alpha) and validity. Statistical analysis employed both inferential (correlation and regression) and descriptive (frequencies, percentages, mean, and standard deviation) statistics using the Statistical Package for Social Sciences (SPSS). Qualitative data were coded and categorized into major themes, culminating in a summary report. The study's correlation analysis revealed a statistically significant positive relationship between each independent variable (accounting skills, entrepreneurship skills, financial management skills, marketing skills, and strategic leadership skills) and financial performance. Multiple regression analysis indicated that these five independent variables collectively explained 41.4% of the variance in financial performance. The study concluded that Saccos should focus on enhancing both human and financial resources to expand market penetration and employ competitive strategies to mitigate competition effectively.

Ray and Mitra (2018) conducted a study focusing on the relationship between a firm's financial performance and its sustainability efforts, using classifier models. While existing literature has explored how socially responsible activities impact financial performance, the authors aimed to contribute by examining how past financial performance influences voluntary Corporate Social Responsibility (CSR) disclosure. They tested this hypothesis using data from 100 Indian companies listed on the BSE 100 index. The study utilized the directors' reports from the latest annual reports of these companies to analyze voluntary CSR disclosures. Independent variables included various financial performance metrics such as Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), debt to equity ratio, market capitalization, and ownership. Binary classifier models were employed for empirical analysis. Performance of the binary models was evaluated using several metrics including F-measure, accuracy rates, balance error rate (BER), Matthews correlation coefficient (MCC), Kappa coefficient, and AUROC (Area Under the Receiver Operating Characteristic curve). The results demonstrated high accuracy in predicting CSR activities based on past financial performance metrics compared to actual values.

Dalayeen (2017) conducted a study focusing on the financial performance appraisal of selected companies in Jordan. The research analyzed various factors influencing financial performance, including capital structure, costs, revenues, and resultant profit margins. Key indicators such as return on assets, sales, equity, and other financial variables were used to assess the performance of these companies. The study aimed to explore the relationships among profitability, asset utilization, performance growth, financial strength, and capital structure within the selected companies. The objectives included providing an introductory background of the companies selected in Jordan, examining their profitability positions, and assessing how financial ratios impact their profitability. Data for the study was sourced from secondary sources, primarily from published annual reports spanning thirteen years (2001-02 to 2013-14). Additional data was gathered from articles in business newspapers, journals, and online sources. The analysis employed multiple regressions to investigate the influence of financial ratios on the financial performance of the selected companies. Financial performance was evaluated through various financial ratios such as current ratio, quick ratio, operating ratio, inventory turnover ratio, debtors' turnover ratio, debt equity ratio, return on sales (ROS), and return on equity (ROE). This approach allowed for a comprehensive assessment and interpretation of the companies' financial health and operational effectiveness.

Pinto, Hawaldar, and Rahman (2017) conducted a study focusing on evaluating the financial performance of commercial banks in Bahrain, highlighting their crucial role within the financial system. The research analyzed data from eight commercial banks over the period from 2005 to 2015. Information was gathered from published annual reports, the banks' websites, investor guides, newspapers, newsletters, and the Central Bank of Bahrain website. The study employed regression analysis, correlation analysis, and t-tests to explore the relationships between various financial parameters. Findings from the research indicated that profitability significantly impacts capital adequacy and financial leverage. However, the study did not find conclusive evidence supporting a relationship between profitability and efficiency in the banks examined.

Furthermore, it was observed that higher capital adequacy ratios could potentially reduce the profitability of banks. The study also suggested that financial and oil crises may have influenced the financial leverage of banks, resulting in adverse effects on their profitability.

Ibrahim and Nawaiseh (2016) conducted a study focusing on the impact of financial performance on the firm value of Jordanian industrial firms listed on the Amman Financial Market (AFM). The research aimed to investigate this relationship using a sample of 40 firms, representing 71.4% of Jordanian industrial firms, over the period from 2006 to 2015. Regression analysis was employed to test the study's hypotheses, utilizing Tobin's Q and operational efficiency indicators (specifically Gross Profit and Operating Expenses) as measures of financial performance. The findings of the study revealed a statistically significant impact of financial performance on firm values. The study recommended that firms' management, stakeholders, and investors focus on utilizing appropriate indicators to assess financial performance, including the operational efficiency indicators alongside Tobin's Q. This comprehensive approach is crucial for accurately forecasting firm value and aiding stakeholders in making informed decisions. The study methodology involved using secondary data sourced from financial statements available on the AFM website. Despite challenging economic conditions during the study period, which adversely affected industrial output, the research emphasized the importance of these financial performance indicators. However, it noted a limitation in not considering other factors that could influence firm value, such as managerial ownership.

Saad and Zhengge (2016) conducted a study focusing on the impact of organizational factors on financial performance in service firms. The research was designed to explore the relationships between key organizational factors liquidity, leverage, asset utilization, market share position, and firm size and financial performance indicators such as Return on Assets (ROA) and Return on Equity (ROE). This investigation is crucial as it assesses how effectively management practices and organizational structures in service firms contribute to financial outcomes, an area traditionally less explored compared to manufacturing firms. The study aims to bridge the gap in literature by examining whether management practices that enhance financial performance in manufacturing firms are similarly effective in service firms. Given the historically lower productivity growth in service sectors, understanding these linkages becomes particularly pertinent for improving management effectiveness. The findings of this research can offer practical insights for managers in service firms, helping them better understand the impact of organizational factors on financial performance. This knowledge can inform strategic decisions and prompt further research to refine management practices and optimize financial outcomes within the service industry context.

Table 1

Summary of Empirical Review

S.N.	Author and Date	Article	Objectives	Methodology	Findings
1.	Alsamhi, Al-Ofairi, Farhan, Alahdal & Siddiqui (2022)	Impact of Covid-19 on firms' performance: Empirical evidence from India	To examine the impact of the pandemic (Covid- 19) on the financial performance of some of the selected Indian sectors.	The study extracted data of 444 firms from the Prowess database for four sectors. Due to some missing values, the study dropped 73 firms. Therefore, the final sample of this study consists of 371 firms.	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.
2.	Pandian and Narendran (2021)	Impact of financial performance	To identifies the financial strengths and weaknesses of the firm by	Statistical measures linear multiple regression analysis and test	The present paper is of crucial importance to measure the firm's liquidity, profitability and other indicators that ensures

		indicators on profitability	properly establishing relationships between the items of the balance sheet and profit and loss account.	of hypothesis-t test have been used.	the business is conducted in a rational and normal way and enough returns to the shareholders to maintain at least its market value. In this context researcher has undertaken an analysis of financial performance of garments companies to understand how management of finance plays a crucial role in the growth.
3.	Wardhani, Rosalina, Elvany and Awaluddin (2021)	Banking financial performance during Covid-19.	To improve its business operations, continue to run well, and produce good financial performance optimal.	Measurement of financial performance in this study using the DuPont system method. It is specific Net Benefit Edge (NPM), Total Asset Turnover (TATO), Financial Leverage Multiplier (FLM), Return on assets (ROA) and Return On Equity (ROE).	The test result shows that the sector's financial performance banking experienced no difference before and during Covid-19. Thus, banks are still able to maintain banking financial stability during a pandemic.

4.	Jao, Hamzah, and Laba (2020)	Financial performance, reputation, and firm value: empirical evidence of non-financial companies listed in Indonesia stock exchange	To investigate the influence of financial performance on reputation, the influence of financial performance on firm value, the influence of reputation on firm value, the influence of financial performance on firm value with reputation as a mediating variable.	The sample of this study consisted of 108 non-financial companies listed in the Indonesia Stock Exchange during 2016-2018 which was selected using a purposive sampling method. The analysis method in this study uses path analysis.	The results showed that financial performance has a positive and significant influence on company reputation, financial performance has a positive and significant effect on firm value, reputation has a positive and significant influence on firm value, and reputation mediates the influence financial performance on firm value.
5.	Alardi and Altass (2019)	Transparency Index as a Preface to Support Financial Reports Transparency and to	To display negative effects on users of financial reports because of the lack of level of financial reports transparency	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	In addition, it was found that the average level of the shareholder protection index in the EGX50 index companies reaches 58%. 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. it has been concluded that the

		Increase Shareholder Protection Level		excluding the Financial Institutions through examining the financial statements, the attached Notes, the Board of Directors report, the governance report and the sustainability report.	Transparency Index has a meaningful impact on both Tobin's Q (financial performance) (the relationship between them is positive) and also on the stockholders' protection Index (SPI) (the relationship between them is positive).
6.	Ronoh, Samson, Kibas and Kibati (2018)	Effect of Business Management Training on Financial Performance of Deposit Taking Saccos in Kenya.	To analyzed the effect of Business Management Training on Financial Performance	This study applied both positivistic and interpretive philosophical foundations. It adopted explanatory survey design to answer the research questions. Primary data was collected using structured questionnaires with a liker scale while	The correlation analysis results of the study show a significant positive relationship between all the independent variables (accounting skills, entrepreneurship skills, financial management skills, marketing skills and strategic leadership skills) and financial performance. Based on the results of the multiple regressions, the five independent variables could explain only 41.4% of the changes in financial performance. Further, it should focus on both human

				secondary data collection. A drop and pick later technique was used. Reliability and validity were used to pre-test the research questionnaire.	and financial resources to penetrate the market and use competitive forces strategy to defend themselves against competition.
7.	Ray and Mitra (2018)	Firm's Financial Performance and Sustainability Efforts: Application of Classifier Models.	To analyze the impact of socially responsible activities on the financial performance of companies	Several binary classifier models are used for our empirical analysis. The binary model performances are validated with different performance measurement techniques such as *F*-measure, accuracy rates, balance error rate (BER), Matthews correlation coefficient (MCC), Kappa coefficient and AUROC.	The study includes different financial performance variables: ROA, ROE, ROCE, debt to equity ratio, market capitalization and ownership as independent variables for analysis. Several binary classifier models are used for our empirical analysis. The model performance results show a better accuracy while comparing between predicted and actual values.

8.	Pinto, Hawaldar and Rahman (2017)	Evaluation of financial performance of commercial banks.	To evaluate the financial performance of commercial banks in Bahrain.	There was used regression, correlation analysis & t-tests to determine the relationship between different financial parameters.	The results of the study indicate that the profitability has an impact on capital adequacy and financial leverage, whereas the study did not ratify the relationship between the profitability and efficiency of the banks. This study also reveals that enforcement of higher capital adequacy ratio will adversely affects the profitability of the banks.
9.	Dalayeen (2017)	Financial performance appraisal of selected companies in Jordan.	To provide an introductory background of the selected companies in Jordan. To explain the profitability position of the selected companies in Jordan and to analyze the impact of financial ratios on the profitability of the selected companies in	Multiple Regressions has been used to analyze the impact of financial ratios on the financial performance of the selected companies. Financial performance is the evaluation and interpretation of a firm's financial positions and operations and	The analysis of the data shows that there is a significant impact of financial ratios on the financial performance of Arab East for Real Estate Investments Company, Al-Bilad Medical Services, Jordan Electric Power, and Jordan National Shipping Lines.

			Jordan.	involves a comparison and interpretation of accounting data.	
10.	Ibrahim and Nawaiseh (2016)	Impact of the financial performance on firm value: evidence from developing countries.	To investigate the impact of financial performance on the value of Jordanian industrial firms, which are registered in Amman Financial Market (AFM).	The sample of the study consists of (40) firms available on the AFM's website. It represents 71.4% of the Jordanian industrial firms, (2006-2015). Regression is used to test the study's hypotheses. Tobin's Q and operational efficiency indicators are used to measure financial performance.	The study reveals that there is a statistically significant impact of financial performance on the firms' values. 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.
11.	Saad and Zhengge (2016)	The impact of organizational factors on	To analyze the return on assets (ROA) and return on equity (ROE) as dependent variables to	Regression is used to test the study's hypotheses, efficiency indicators are used to measure	The financial performance of the company is essential to measure management as the individuals and groups within the company. Managers can benefit from the outcomes of the paper

	financial performance.	assess financial performance derived from the existence of the stated organizational factors. To analyze the aspect of financial performance in service firms and it reflects the effectiveness of the management.	financial performance.	by having a clear picture of organizational factors and conducting necessary research in order to find out the true nature of these factors.

2.3.2 Review of Previous Thesis

Sharma (2012) conducted a study on the complexities of Nepal's financial sector in the early years of the twenty-first century. The banking sector, in particular, experienced significant liquidity due to high remittance deposits despite historically low interest rates and limited demand for credit. Despite rapid growth in the financial sector and the stock market, this did not lead to a strong positive correlation with economic growth, questioning the efficiency of financial instruments in Nepal. Policymakers in Nepal need to consider these interrelationships when expanding the financial sector further. Under a liberal and open policy regime, controlling the proliferation of banks and financial institutions in urban areas across Nepal has been challenging. The establishment of new financial institutions often lacks economic viability, and reliance on self-financing by promoters raises concerns. Regulatory actions in response to fund misuse by promoter groups have been perceived as inadequate, failing to deter wrongdoing effectively. Due to higher interest rates in the Indian financial market, capital tends to flow from Nepal to India. This phenomenon raises concerns as investing in India, even with borrowed funds from Nepali banks, offers higher returns than investing domestically in Nepal. Furthermore, prominent entities in Nepal's financial market have invested not only in India but also in other countries with regulatory vulnerabilities. Overall, Sharma's study highlights the complex dynamics of Nepal's financial sector, emphasizing the challenges of aligning financial sector growth with economic development and ensuring effective regulatory oversight.

Pant (2013) discussed the outlook for Nepal's banking sector, as articulated by the President of Nepal Bankers' Association. Post-2010, the sector anticipated new international entrants, prompting the need for enhanced competitiveness at international standards. Despite the presence of seventeen commercial banks, the combined capital of all these banks is considerably less than that of even a small bank in developed nations. However, the President expressed optimism, citing potential opportunities from the growth of China and India that could benefit Nepal's banking sector. Collaboration among banks was emphasized to effectively address challenges posed by global economic frameworks like the WTO.

Gautam (2014) conducted a journal titled CAMEL Study on Joint Venture Banks with Special Reference to SCB, NABIL, and HBL, aiming to analyze the financial strengths and weaknesses of these banks. The study concluded that employee job satisfaction, indicative of service efficiency, was rated favorably across all three banks. SCB scored highest in awareness programs, followed by NABIL at seventy-two percent and HBL at sixty-eight percent.

Kunwar (2015) conducted a study titled SWOT Analysis of Nepalese Joint Venture Commercial Banks with reference to NABIL, HBL, and SCB. The research aimed to analyze the strengths, weaknesses, opportunities, and threats (SWOT) of these banks. The study objectives included examining the deposit trends of NABIL and HBL, and assessing the volatility of investments across all joint venture banks. Key findings from the research highlighted that HBL consistently maintained higher levels of loans and advances compared to SVB and NABIL during the study period. Based on the analysis using various financial and statistical tools, the study recommended that NABIL and HBL enhance their financial evaluation processes for borrowers to better identify and mitigate loan-related risks. Additionally, it suggested that SCB focus on expanding its credit portfolio by targeting productive sectors. Overall, Kunwar's research provided insights into the strategic positioning and operational dynamics of

Nepalese joint venture commercial banks, offering recommendations to strengthen their financial management practices and capitalize on emerging opportunities.

Chand (2016) conducted a study titled "Financial Performance Analysis (CAMEL) of Selected Commercial Banks: NABIL, NIBL, and SCBL." The research aimed to analyze various aspects of financial performance across these banks using the CAMEL framework. The study revealed that the Capital Adequacy Ratio (CAR) of all selected banks generally exceeded the requirements set by the Nepal Rastra Bank (NRB), except for NIBL in the year 2003. SCBL was ranked first overall in the study, followed by NABIL in second position. Regarding asset quality, NABIL performed the best with a Non-Performing Loan (NPL) ratio of 1.32%, placing it in the first position, while SVBL ranked second with 2.68% and NIBL third. In terms of liquidity analysis, the study found that NIBL consistently maintained the highest Cash Reserve Ratio (CRR) percentage throughout the study period, whereas NABIL and SCBL showed inconsistencies in maintaining CRR levels. The analysis encompassed evaluations of capital adequacy, asset quality, management quality, earning ability, and liquidity across the selected banks, providing comprehensive insights into their financial health and operational efficiency.

Mandal (2017) conducted a research titled Comparative Financial Performance Appraisal of Joint Venture Banks, focusing on three banks: NABIL, SCBNL, and NIBL. The study primarily found that SCBNL and NABIL effectively utilized debt funds to generate higher returns compared to NIBL, which lagged behind in this aspect. In analyzing earnings components such as Earnings per Share (EPS), Market Price per Share (MPS), Price/Earnings (P/E) ratio, and Profit after Tax, SCBNL emerged in the top position for EPS, MPS, and Profit after Tax. On the other hand, NIBL ranked first in terms of P/E ratio. The study recommended initiatives to enhance banking services in rural areas, emphasizing the development of small entrepreneur programs. It also advocated for the mobilization of deposit funds through merchant banking into productive sectors and urged banks to prioritize local manpower development. Overall, Mandal's research underscored the importance of effective fund utilization and strategic focus on rural development and local manpower to enhance the financial performance and outreach of joint venture banks in Nepal.

Bohara (2018) conducted a research titled a comparative study of the financial performance of NABIL and NIBL, aiming to examine the functions and policies of joint venture banks (JVBs) and evaluate the financial performance of selected banks. The study assessed liquidity, activity, profitability, and various other indicators within a suggested framework. According to the findings, NABIL outperforms NIBL in liquidity, turnover, and capital adequacy. NABIL adopts an aggressive approach in liquidity management, investments, and borrowing policies to enhance profitability. However, NIBL shows better performance in terms of dividend payout ratio (D/P ratio), price-earnings ratio (P/E ratio), market value per share (MVPS), earnings per share (EPS), and cash dividends per share. Overall, NIBL was found to be financially healthy across all CAMELS components. The study noted that the current liquidity crunch in the financial market has impacted the liquidity position of both banks.

In Giri's (2019) study titled a study of CAMEL analysis of commercial banks (Reference to Everest Bank Ltd., Bank of Kathmandu, and Nepal Industrial and Commercial Bank Ltd.), the primary objective was to assess the capital adequacy, asset quality, management quality, earning capability, and liquidity position of selected banks. The research compared the financial performances of Everest Bank Ltd. (EBL), Bank of Kathmandu (BOK), and Nepal Industrial and Commercial Bank Ltd. (NIC) using the CAMEL framework. Secondary data from the three banks were analyzed among 29 commercial banks. The CAMEL framework, widely used for evaluating individual institutional health, provided insights into the financial conditions and performance metrics of EBL, BOK, and NIC. According to the study, all banks maintained a Capital Adequacy Ratio (CAR) meeting the Nepal Rastra Bank's standard of 11%. BOK exhibited the highest CAR among the three banks. EBL showed a lower Loan Loss Provision Ratio compared to the other banks, indicating stronger asset quality management. Additionally, EBL demonstrated a stronger liquidity position and higher earnings relative to BOK and NIC. Overall, the research highlighted the comparative strengths and areas of improvement for each bank within the CAMEL framework, emphasizing their adherence to regulatory standards and financial performance metrics.

Karki (2019) conducted a thesis titled a comparative analysis of financial performance of NABIL and SCBNL. The study aimed to achieve several objectives: evaluating the liquidity positions of both banks, analyzing their comparative financial performances, studying their competitive positions, offering suggestions to enhance financial performance, and exploring the relationship between interest earned and operating profit. According to the research findings, SCBNL effectively utilized its long-term funds, deposits, and assets to maximize profitability. On the other hand, NABIL bank maintained a generally favorable liquidity position, occasionally leaning towards excess. Recommendations from the study included NABIL's need to reduce excessive non-performing assets such as cash and bank balances, and to consider investing in income-generating current assets like Treasury bills. Meanwhile, SCBNL was advised to strengthen its liquidity position. Karki's thesis provided a comparative analysis of NABIL and SCBNL's financial performances, highlighting specific areas for each bank to improve their operational efficiency and financial health.

2.4 Research Gap

The objective of this study differs from previous research in several aspects. It focuses specifically on conducting a comparative financial analysis of HBL, SCBNL, NABIL, SBI, NMB, NBBL, and EBL, providing a detailed and comprehensive examination. The study employed a regression model which revealed several key findings: Return on Assets (ROA) positively influenced variables such as Earnings per Share (EPS), Fixed Assets to Total Assets ratio (FA/TA), and Loan and Advance to Total Deposit ratio (LA/TD), while showing a negative impact on Number of Branches and Total Debt to Total Assets ratio. EPS was found to positively impact FA/TA but negatively impact LA/TD, Number of Branches, and Total Debt to Total Assets ratio across the sample banks. Additionally, the selected sample banks were observed to maintain stability, adequate capitalization, profitability, and sound financial positions. The study underscored significant positive impacts of ROA and EPS on the profitability performance of the sample banks, as evidenced by tangible and liquidity metrics. While previous studies have primarily focused on profitability, fund sources and uses, income and expense trends, or dividend policies of joint venture banks, this study addresses core financial performance indicators such as tangibility, profitability, liquidity, bank size, and capital structure. Its primary objective is to analyze the financial performance of Nepalese commercial banks, specifically HBL, SCBNL, NABIL, SBI, NMB, NBBL, and EBL, spanning from fiscal years 2014/015 to 2022/023, thereby contributing to and complementing existing literature in the field.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

Descriptive cum causal comparative research design have been used in this study to examine the financial performance of HBL, EBL, NABIL, SCBNL, NMB, NBBL and NSBI 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 allow the researcher to gather information, summarize, present and interpret for the purpose of the classification. These designs have mainly 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, Sample and Sampling Design

This study employs a multistage sampling approach for its data collection method. Out of the 20 commercial banks of Nepal the sampling frame consists of the 7 joint venture banks of Nepal namely Everest Bank Limited, Standard Chartered Bank Nepal Limited, Nepal SBI Bank Limited, Nabil Bank Limited, Himalayan Bank Limited, Nepal Bangladesh Bank Limited and Nepal Merchant Bank Limited. This approach enhances the study's manageability in terms of resources and ensures that the research objectives are effectively addressed. The design specifies conditions for data collection and analysis, aiming to balance relevance to the research goals with efficiency in procedure. Analytical and descriptive designs are applied to analyze the financial performance of selected commercial banks, aligning with the research objectives. Therefore, the research design serves as a structured plan for data collection and analysis, providing a clear framework for researchers to follow towards achieving their goals. In this study, a descriptive research design is adopted, focusing on presenting comprehensive insights into the selected variables under investigation. Convenience sampling design is applied for the study.

3.3 Nature and Sources of Data Collection

There is used secondary data collection. The data are collected through annual report of the concerned company. 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 banks and Nepal Rastra Bank Bulletin (published by the Central Bank of Nepal), annual audited financial statements of commercial banks (published by the respective banks), and yearly economic survey. Averages of eight years' ratios from 2014/015 to 2022/023 are evaluated to assess the financial performance of the commercial banks in Nepal.

3.4 Data Processing and Analysis

In this study some selected ratios are used which are based on the Framework to demonstrate the financial performance of the commercial banks. 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 commercial banks. The profitability ratios (ROA and EPS) are assumed as dependent variables while Leverage, Size, Tangibility and liquidity status are as independent variables. In the previous equation, α is constant and β is coefficient of variables while ε is the residual error of the regression. All estimations have been performed in the SPSS software program whereas the ordinary calculations in Excel.

3.5 Data Analysis Tools

A. Measures of Dispersion

The average serves as a central value representing an entire series but does not indicate the spread or distribution of individual values around this central point. To assess this spread, measures of dispersion are employed. These measures indicate how much individual values deviate from the average or central value. Key measures of dispersion include range, mean deviation, and standard deviation. These measures can be presented in two ways: absolute and relative. Absolute measures show the exact amount of deviation, while relative measures express deviation in terms of ratios or percentages, making them independent of the measurement scale and facilitating comparison across different datasets. Measures expressed in the original units of the series are termed as absolute measures of dispersion, whereas relative measures are termed as coefficients. Coefficients of dispersion, such as the coefficient of variation, express variation as a percentage, providing a standardized way to compare variability across different datasets. In conclusion, for comparing variability, it is essential to compute relative measures of dispersion, as they offer insights into the degree of variation that are independent of the measurement scale and therefore facilitate meaningful comparisons.

a) Mean or Average ($\overline{X}$)

An average is a statistical measure that represents the central tendency of a group of values. It provides a summary of the characteristics of the entire group. Typically, the average value is situated between the highest and lowest values within the dataset. This measure is also referred to as the simple average.

Where,

Mean or Average ($\overline{X}$) = $\frac{\sum X}{N}$

b) Standard Deviation (σ)

Standard deviation is the positive square root of average sum of squares of deviations of observation from the arithmetic mean of the distribution. Standard deviation is the popular and useful measure of dispersion and gives uniform, correct and stable results. It is denoted by the small Greek letter sigma. The standard deviation measures the absolute dispersion or variability of the distribution; for the greater the amount of dispersion or variability the greater the standard deviations, for the greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as Homogeneity of a series; a large standard deviation means just the opposite. In this, standard deviation is calculated for selected dependent and independent variables specified in the model presented above.

Standard deviation (σ) = $\sqrt{\frac{\sum(X-\overline{X})}{n-1}}$

c) Coefficient of variation (C.V)

It is used to compare the variability of two or more series. The series with higher coefficient of variation is said to be more variable, less consistent, less uniform, less stable and less homogeneous. On the contrary the series with less coefficient of variation is said to be less variable, more consistent, more uniform more stable and more homogenous. It is denoted by C.V and is obtained as.

Where,

Coefficient of Variation (CV) $= \frac{\text{S.D.}}{\text{Mean}} \times 100$

B. Correlation Analysis

Correlation analysis is a statistical method used to assess the strength of the relationship between two continuously measured variables. It helps researchers determine if there is a connection between variables. Importantly, correlation analysis does not establish causation; other variables not included in the study may influence the observed results. When correlation is present between two variables, it indicates that as one variable changes systematically, the other variable also changes systematically over time. Correlation can be positive or negative, with values ranging from -1 to +1, indicating the strength and direction of the relationship.

C. 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. In this study, a sort of explanatory research design was used to explain the relationship between bank's performances by deriving quantitative data from the annual report of banks.

The research model is explained as:

$$Y^1 = ROA = \alpha + \beta 1*EPS + \beta 2*FA/TA + \beta 3*LA/TD + \beta 4*TD/TA + \beta 5*S + e..$$

$$Y^2 = ROE = -\alpha + \beta 1*EPS + \beta 2*FA/TA + \beta 3*LA/TD + \beta 4*TD/TA + \beta 5*S + e..$$

Where,

ROA= Return on Assets

ROE= Return on Equity

EPS= Earning Per Share

FA/TA = Fixed Assets to Total Assets

LA/TD= Loan and Advance to Total Deposit

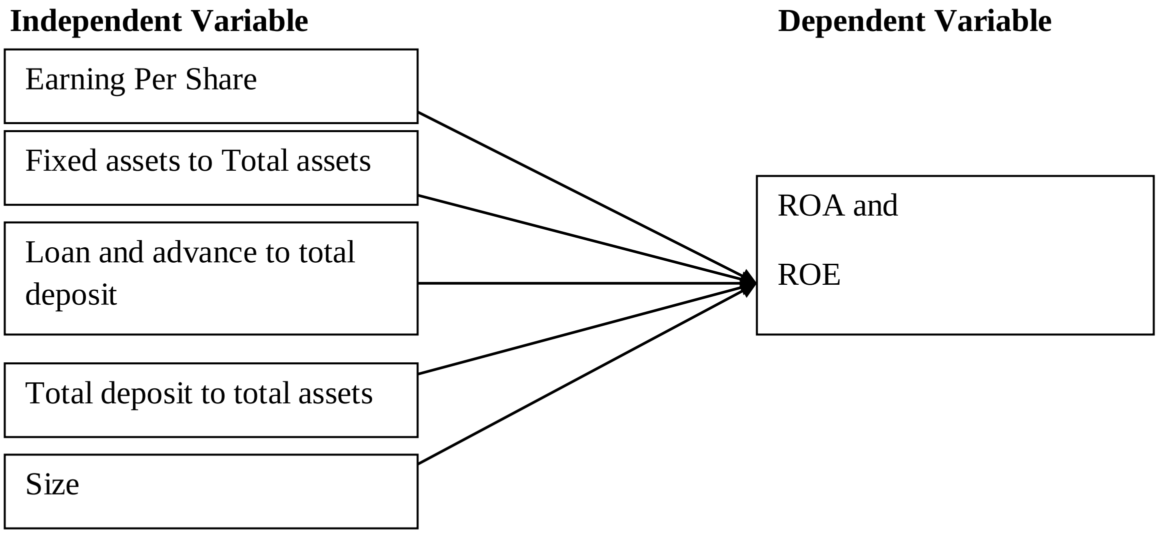
TD/TA= Total deposit to Total Assets

S= Size

e. = error terms.

3.6 Theoretical Framework and Definition of Variables

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.



(Source: Pandian and Narendran, 2021)

Figure 1: Research Framework

i) Dependent 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 investors, analysts, and corporate management to assess how well a business uses its resources to turn a profit.

Return on Equity

The financial performance metric known as return on equity (ROE) is computed by dividing net income by shareholders' equity. ROE is referred to as the return on net assets since shareholders' equity is calculated by deducting debt from assets.

ii) Independent variables

Fixed Assets to Total Assets

The total asset value of a person, business, or organization is the sum of the book values of all of their assets. It's a metric that's frequently applied to net worth debt covenants. After depreciation on the assets is taken into consideration, the total asset value of a corporation is determined.

Loan and Advance to Total Deposit

Loans and advances are defined as any direct or indirect financial advances made to an individual with the condition that they repay the funds or that they be repaid from particular assets pledged by the individual or on their behalf. This includes obligations as maker or endorser resulting from the discounting of commercial or business paper. The total deposits made by commercial banks as a result of their principal deposit-based credit creation process include all of the money in circulation. Total deposit= (1/ cash reserve ratio) x primary deposit.

Total Deposit to Total Assets

A company's liquidity refers to its capacity to turn its assets into cash or to obtain cash through loans or bank deposits in order to cover its immediate liabilities. A financial performance metric known as interest income shows the difference between the amount of money a bank makes from its interest-bearing assets and the costs incurred in servicing those assets. Securities, mortgages, and all types of personal and business loans make up the assets of a conventional bank.

Size

When referring to the "size of banks" in a short context, it typically relates to their financial metrics such as total assets, market capitalization, or deposits. It's a measure of their overall financial strength and scale within the banking sector.

This research incorporates the two types of variables. They are independent variables and dependent variables. Independent variables presumed to Size of banks, Leverage, Liquidity and Tangibility. Dependent variables are Return on Assets and Earning per Share. Dependent depends on the independent variables.

CHAPTER IV
RESULT AND DISCUSSION

These chapters analyze the various financial indicators 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 recommendations.

4.1 Financial Performance analysis of Selected Banks

4.1.1 Return on Assets of Selected Banks

Return on Assets (ROA), sometimes referred to as the profit-to-assets ratio, evaluates how effectively a company generates profit from its investments in assets. It is a key indicator of operational efficiency and financial performance. A higher ROA indicates greater profitability relative to the total assets employed by the company. Conversely, a lower ROA suggests lower profitability. This metric helps assess how efficiently a company utilizes its assets to generate earnings.

Table 2

Return on Assets

Fiscal Year	NMB	SBI	NABIL	SCBNL	HBL	EBL	NBB
2013/014	1.47	1.78	2.34	1.85	1.36	2.36	1.39
2014/015	1.25	1.60	2.58	2.7	1.47	2.45	1.47
2015/016	0.12	0.83	2.43	2.8	1.76	2.11	1.45
2016/017	1.12	1.19	2.8	2.67	1.54	2.39	2.14
2017/018	1.45	1.5	2.89	2.51	1.3	2.25	1.98
2018/019	1.40	1.64	2.06	1.99	1.34	1.85	1.70
2019/020	1.92	1.59	2.32	1.98	1.94	1.59	1.95
2020/021	1.82	1.57	2.69	1.84	2.19	1.83	1.84
2021/022	1.80	1.97	2.61	2.61	1.67	1.97	1.75
2022/023	1.83	1.94	2.06	2.61	2.21	1.94	1.66
Average	1.46	1.47	2.47	2.40	1.76	2.00	2.067
S.D.	0.34	0.37	0.28	0.34	0.31	0.23	0.24
C.V	24.04	25.08	11.46	14.01	17.81	11.29	12.45

Source: Annual report of selected banks.

The Ideal Ratio is 2 times. The table 2 shows that the return of assets ratio of NMB, SBI, NABIL, SCBNL, HBL, EBL and NBBL respectively. The eight years' study period shows that the Nabil Bank Limited and SCBNL of ROA is higher than EBL, HBL, NMB, NBBL and SBI respectively, that means NABIL and SCBNL have been properly utilizing its assets to increase the turnover than EBL, HBL, NMB, NBBL and SBI.

High ratio indicates efficient utilization and less than 2 times indicates underutilization. As a result, the SBI, HBL, NMB, NBBL and EBL banks are under utilization of own assets to compare to the NABIL and SCBNL. The risk analysis point of views, the standard deviation of SBI, NMB and SCBNL is higher than HBL, NABIL, EBL and NBBL.

It shows SBI, NMB and SCBNL banks are little bit more risk to invest by shareholders. Likewise, the C.V. of EBL and SCBNL are higher than NABIL, NMB, HBL, NBBL and SBI which shows that SBI and NBBL banks of ROA is more consistency than other banks. The return point of views, EBL and SCBNL are better than five banks.

4.1.2 Earnings per Share of Selected Banks

Earnings per share (EPS) are one of the most important financial indicators, which measure the earning capacity of a firm or profit available to the ordinary shareholders on a per share basis.

Table 3

Earnings Per Share of Selected Banks

FY	NMB	SBI	NABIL	SCBNL	HBL	EBL	NBBL
2013/014	34.25	38.15	84.12	70.24	45.28	87.12	45.26
2014/015	35.12	25.41	75.45	76.39	40.36	89.36	35.14
2015/016	30.15	22.93	70.67	72.6	39.94	88.5	30.10
2016/017	31.14	32.75	83.57	65.7	34.19	92.88	35.45
2017/018	32.45	34.83	83.68	65.47	33.1	86.04	33.14
2018/019	32.97	34.48	57.24	57.38	33.37	78.04	33.48
2019/020	30.83	36.78	59.27	45.69	43.03	40.33	39.43
2020/021	23.99	33.46	59.86	35.49	35.15	32.48	28.05
2021/022	19.50	25.16	49.51	27.33	23.11	32.78	14.95
2022/023	21.29	27.13	50.57	30.39	32.44	38.05	19.63
Average	44.46	30.26	66.46	52.17	35.44	63.59	29.27
S.D.	8.45	4.90	13.45	16.72	6.10	25.13	4.98
C.V	18.10	16.20	20.24	32.05	17.22	39.53	17.12

Source: Annual report of selected banks.

The table 3 provided compares the earnings per share (EPS) of NMB, SBI, NABIL, SCBNL, HBL, EBL, and NBBL over the past eight years. It shows that NABIL, EBL, and SCBNL have higher EPS compared to NMB, HBL, SBI, and NBBL respectively. EPS reflects the profitability attributable to each outstanding share of common stock. A higher EPS is generally preferred as it indicates better profitability for shareholders, whereas a lower EPS suggests lower profitability. Additionally, the standard deviation of EPS for EBL, SCBNL, and NABIL is higher than that of NMB, HBL, NBBL, and SBI. This implies that EBL, SCBNL, and NABIL have more variability in their EPS over the years, indicating a higher level of risk for shareholders compared to the other banks. Moreover, the coefficient of variation (C.V) for EBL, SCBNL, and NABIL is also higher than that of NMB, HBL, NBBL, and SBI. This suggests that the profitability of common shareholders' investment in EBL, SCBNL, and NABIL is relatively better compared to the other banks, taking into account the variability in EPS.

4.1.3 Tangibility Position, of Selected Banks

This study sought to determine the relationship between the asset structure and the financial performance of the firms quoted under the commercial and service sector. The study was the secondary data from the annual reports of the firms. The asset structure is analyzed in term of: Property, Plants and Equipment; current assets; intangible assets; and long term investments and funds, which formed the independent variables. The dependent variable of interest was the financial performance of the firms, and was measured in terms of: earning per share; return on assets; return on equity, profit margin (return on sales); and current ratio, by aid of a composite index.

Fixed Assets to Total Assets

This ratio assesses how effectively a bank uses its total deposits to finance its total assets. A higher ratio signifies a greater reliance on total deposits to finance both assets and potentially riskier investments. Conversely, a lower ratio suggests less reliance on deposits and potentially lower exposure to risky assets.

Table 4

Fixed assets to total assets

FY	NMB	SBI	NABIL	SCBNL	HBL	EBL	NBBL
2013/014	1.64	1.247	1.47	0.354	2.478	0.854	0.426
2014/015	1.30	1.450	1.68	0.234	2.364	0.745	0.758
2015/016	1.26	1.233	1.54	0.215	2.401	0.982	0.987
2016/017	1.245	1.021	1.191	0.179	2.142	0.96	0.870
2017/018	0.789	0.994	0.966	0.129	1.798	0.89	0.189
2018/019	0.780	1.063	0.697	0.129	1.596	0.636	0.146
2019/020	1.142	0.802	0.629	0.109	1.926	0.596	0.124
2020/021	0.892	0.74	0.549	0.131	2.014	1.422	0.457
2021/022	0.164	0.823	0.613	0.138	1.908	1.286	1.245
2022/023	0.470	2.062	0.529	1.09091	3.071	2.036	2.141
Average	0.124	1.071	0.911	0.263	2.155	1.089	0.769
S.D.	0.700	0.378	0.380	0.296	0.425	0.418	0.284
C.V	0.241	35.305	41.721	112.697	19.698	38.361	40.124

Source: *Annual report of selected banks.*

The table 4 presents the average fixed assets to total assets ratio for various banks: HBL (2.155), EBL (1.089), SBI (1.071), NABIL (0.911), NBBL (0.769), SCBNL (0.263), and NMB (0.124). It indicates that HBL, EBL, and SBI have higher ratios of fixed assets to total assets compared to NABIL, NBBL, SCBNL, and NMB. This suggests that a larger proportion of HBL's total assets is tied up in fixed assets relative to EBL, SBI, and NABIL. From this finding, it is evident that HBL places a greater emphasis on long-term investments such as loans, likely contributing to higher profitability due to the availability of funds from fixed deposits. In terms of risk assessment, NMB appears riskier compared to the other banks based on this metric, while SCBNL demonstrates greater consistency relative to the sample banks.

4.1.4 Loan and Advance to Total Deposit Ratio

This ratio evaluates a bank's capacity to utilize deposited funds effectively to generate profits through loans and advances. It indicates how successful banks are in leveraging deposits to create income-generating opportunities.

Table 5

Loan and advance to total deposit ratio

FY	NMB	SBI	NABIL	SCBNL	HBL	EBL	NBBL
2013/014	55.39	58.47	77.39	57.12	80.12	85.12	70.12
2014/015	50.26	56.20	75.12	65.12	78.25	76.29	68.12
2015/016	49.789	49.616	86.412	55.132	75.357	73.225	64.410
2016/017	52.478	49.376	63.2	58.628	77.361	76.572	67.410
2017/018	66.781	65.539	88.356	56.867	71.82	78.01	68.791
2018/019	67.450	56.546	60.939	48.919	75.373	66.628	70.480
2019/020	68.140	54.765	74.772	56.88	79.121	73.517	72.456
2020/021	74.123	76.495	75.913	64.384	84.087	80.449	76.871
2021/022	78.120	85.915	80.898	66.449	83.318	77.851	78.450
2022/023	84.145	90.52	82.588	73.46159	86.188	87.01	84.012
Average	67.628	64.44	75.99	58.87	79.24	76.69	72.86
S.D.	16.45	15.15	9.11	7.58	4.46	5.24	5.12
C.V	24.15	23.51	11.99	12.87	5.62	6.83	7.14

Source: *Annual report of selected banks.*

The table 5 illustrates the ratio of total loans and advances to total deposits for several banks. On average, HBL, EBL, and NABIL have higher ratios compared to SCBNL, SBI, NMB, and NBBL. This indicates that HBL, EBL, and NABIL have prioritized utilizing their deposited funds for lending more than the other banks in the sample. Specifically, an average of 79.24%, 76.69%, and 75.99% of the deposits collected by HBL, EBL, and NABIL respectively have been allocated towards loans and advances, which is a larger proportion compared to the other banks. Therefore, it can be inferred that HBL, EBL, and NABIL have focused on deploying a significant portion of their total deposits into loans and advances to generate interest income, in contrast to the other banks. In terms of risk assessment based on this metric, NMB appears to be riskier than the other banks, while in terms of returns and consistency, NMB is comparatively better than the other banks.

4.1.5 Total Debt to Total Assets

The debt to total assets ratio evaluates the proportion of a company's assets financed through debt. A very high ratio is generally detrimental as it increases the risk of legal claims by creditors on the company's assets. Conversely, a very low ratio is unfavorable from a shareholder's perspective because it may limit profitability potential.

Table 6

Total debt to total assets

FY	NMB	SBI	NABIL	SCBNL	HBL	EBL	NBBL
2013/014	79.28	87.23	85.26	86.23	87.45	95.69	96.23
2014/015	85.14	80.14	98.17	75.36	85.12	85.12	87.18
2015/016	84.145	93.284	98.405	89.694	90.281	91.803	90.123
2016/017	83.145	92.455	152.004	89.418	89.504	91.211	90.147
2017/018	70.451	90.354	90.486	89.998	90.276	91.016	88.010
2018/019	71.145	88.084	91.445	90.606	90.288	91.472	88.012
2019/020	78.457	89.595	90.437	88.066	90.171	91.136	87.451
2020/021	80.0145	89.455	81.163	84.201	88.592	88.706	84.120
2021/022	82.145	87.516	79.091	83.428	87.86	88.858	84.147
2022/023	84.125	82.766	80.819	81.201	84.934	76.182	78.145
Average	79.203	89.63	94.17	87.54	89.09	89.18	86.269
S.D.	3.11	3.13	21.30	3.43	1.68	4.74	4.20
C.V	3.70	3.49	22.62	3.92	1.88	5.31	5.47

Source: *Annual report of selected banks.*

Table 6 shows that the commercial banks typically deploy their deposit funds by investing in various securities issued by governments and other sectors. This ratio assesses the banks' effectiveness in leveraging their deposits for investments in securities. It is calculated by dividing the total debt by the total assets ratio. In this context, NABIL exhibits a higher ratio compared to SBI, EBL, HBL, SCBNL, NBBL, and NMB, indicating that NABIL has allocated a larger percentage of its total assets to debt, specifically 94.17% over an eight-year period. SBI, EBL, and HBL show similar ratios, while SCBNL and NBBL have slightly lower ratios, and NMB has the lowest ratio over the same period. From a risk perspective, NABIL appears riskier to invest in compared to the other banks sampled. On the other hand, HBL demonstrates greater consistency in its debt structure compared to the other banks over the eight-year period. This suggests that NABIL's investment strategy regarding debt is relatively strong compared to its peers.

Table 7

Size of Selected Banks

FY	NMB	SBI	NABIL	SCBNL	HBL	EBL	NBBL
2013/014	60		68	14	43	60	46
2014/015	58		48	16	40	59	45
2015/016	57	56	49	15	39	48	40
2016/017	58	56	52	15	41	54	78
2017/018	60	56	51	15	42	53	77
2018/019	67	56	82	12	42	65	80
2019/020	67	62	74	12	42	61	84
2020/021	71	62	55	12	47	65	88
2021/022	76	72	55	12	55	82	92
2022/023	78	88	55	15	59	94	91
Average	66.75	62.0	56.9	13.7	44.8	62.9	78.75
S.D.	12.14	10.9	12.4	1.5	7.1	15.3	16.12
C.V	18.01	17.5	21.7	10.9	16.0	24.3	25.45

Source: *Annual report of selected banks.*

The table 7 depicts that, the NBBL, NMB, EBL and SBI seen more number of branches than SCBNL, HBL and NABIL in past eight years' period. The interpretation point of views, NBBL is being the higher number of branches bank to compare other sample banks while SCBNL is being the lower number of branches banks in eight years' period.

4.1.6 Descriptive Analysis

The relationship of Leverage, Liquidity, Tangibility and Size of banks with the main elements of Return on Assets and Earning per Share are determined separately to each of the sampled listed Banks in this section. For their analytical purpose, the ROA and EPS are assumed to be influenced with the fluctuation occurred in Leverage, Liquidity, Tangibility and Size of banks. Hence, ROA and EPS are taken as dependent variable whereas TD/TA, LA/TD, FA/TA, and Size are taken as independent variable. The correlation analysis is performed to determine the relationship of Leverage, Liquidity, Tangibility and Size of banks with ROA and EPS. To determine the effect of Leverage, Liquidity, Tangibility and Size of Banks on

ROA and EPS, simple correlations as well as their coefficient of determination are calculated. For the test of hypothesis of multiple coefficient correlation are calculated. To determine the magnitude of the effects of the independent variables to the dependent variable, multiple regression analysis are made and the magnitude is identified after determining the regression equations. In addition to that, multiple correlation coefficient, multiple coefficient of determination are analysed during the correlation and regression analysis. In this study, descriptive statistics includes the information of return on assets, earning per share, TD/TA, LA/TD, FA/TA, and size of banks ofseven commercial banks, for the period of 2014/015 to 2022/023. With the help of descriptive analysis, the mean value, S.D. range, maximum, minimum of every sectors are computed.

Table 8

Descriptive Statistics

Tools	ROA	EPS	FA/TA	LA/TD	SIZE	TD/TA
Mean	2.0211	49.5867	1.0967	71.0500	48.0444	89.9200
Std. Deviation	.12908	11.95446	.29640	7.31867	7.74130	5.98624
Range	.39	30.24	.95	22.27	25.40	21.74
Minimum	1.78	31.58	.81	61.68	36.80	81.18
Maximum	2.17	61.82	1.76	83.95	62.20	102.92

Source: *Annual report of elected banks by using SPSS version 20*

Descriptive statistics reveal that the Return on Assets (ROA) averaged 2.0211% over the study period, with a minimum of 1.78% and a maximum of 2.17%, resulting in a range of 0.39%. The standard deviation for ROA over the eight-year period was 0.129%. Earnings Per Share (EPS) averaged 49.5867%, with a minimum of 31.58% and a maximum of 61.82%, indicating a range of 30.24%. The standard deviation for EPS was 11.96%. The Fixed Assets to Total Assets Ratio averaged 1.0967%, with a minimum of 0.81% and a maximum of 1.71%, resulting in a range of 0.95%. The standard deviation for this ratio over the nine-year period was 0.297%. The Loan and Advance to Total Deposit Ratio averaged 71.05%, with a minimum of 61.68% and a maximum of 83.95%, showing a range of 22.27%. The standard deviation for this ratio was 7.32% over the study period. The Size (Number of Branches) of banks averaged 48.044%, with a minimum of 31.58% and a maximum of 62.20%, indicating a range of 25.40%. The standard deviation for the number of branches over the nine-year period was 5.99%. Finally, the Total Debt to Total Assets Ratio averaged 89.92%, with a minimum of 81.18% and a maximum of 102.92%, resulting in a range of 21.74%. The standard deviation for this ratio over the eight-year period was 5.99%.

Table 9

Correlations Matrix

Variables		ROA	EPS	FA/TA	LA/TD	Size	TD/TA
ROA	Pearson Correlation	1					
	Sig. (2-tailed)						
EPS	Pearson Correlation	-.251	1				
	Sig. (2-tailed)	.514					
FA/TA	Pearson Correlation	.498	-.104	1			
	Sig. (2-tailed)	.173	.791				
LA/TD	Pearson Correlation	.699*	-.764*	.510	1		
	Sig. (2-tailed)	.036	.016	.160			
Size	Pearson Correlation	.197	-.846**	.258	.669*	1	
	Sig. (2-tailed)	.612	.004	.502	.049		
TD/TA	Pearson Correlation	-.110	.756*	-.305	-.736*	-.635	1
	Sig. (2-tailed)	.779	.018	.425	.024	.066	

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Source: *Annual report of elected banks by using SPSS version 20*

The relationships among the study variables were tested using correlation analysis separately with ROA and EPS, as shown in the table. The results indicate a negative correlation between ROA and EPS (-0.251), suggesting that banks with higher accumulated profits and optimal capital tend to exhibit lower ROA. The corresponding p-value of 0.514 is higher than the significance level of 0.05, indicating that this relationship is not statistically significant. On the other hand, the Fixed Assets to Total Assets Ratio (FA/TA) shows a positive correlation of 0.498 with ROA, indicating that banks effectively managing their fixed assets in relation to total assets tend to achieve higher ROA. However, the p-value of 0.173 exceeds the significance level of 0.05, indicating no statistical significance in this relationship. Similarly, the Loan and Advance to Total Deposit Ratio (LA/TD) shows a strong positive correlation of 0.699 with ROA, suggesting that banks with a higher ratio of loans and advances to total deposits tend to have higher ROA. Importantly, this correlation is statistically significant with a p-value of 0.036, which is less than 0.05. The Size of banks shows a positive relationship with ROA, but like the other variables, it lacks statistical significance in relation to ROA. Finally, ROA exhibits a slight negative correlation (-0.110) with the Total Debt to Total Assets Ratio (TD/TA), but the corresponding p-value of 0.779 indicates no statistically significant relationship between ROA and TD/TA ratio. In summary, while there are correlations observed between ROA and various financial metrics, not all of them are statistically significant according to the specified significance level of 0.05.

Table 10

Regression Analysis of ROA

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-1.209	1.001		-1.208	.314
	EPS	.001	.006	.128	.232	.832
	FA/TA	.020	.122	.046	.163	.881
	LA/TD	.026	.007	1.470	3.576	.037
	Size	-.003	.006	-.209	-.544	.624
	TD/TA	.016	.007	.756	2.399	.096

a. Dependent Variable: ROA

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.893	.716	.06883

a. Predictors: (Constant, ROA), EPS, FA/TA, LA/TD, Size, TD/TA

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.119	5	.024	5.028	.107[b]
	Residual	.014	3	.005		
	Total	.133	8			

a. Dependent Variable: ROA
b. Predictors: (Constant), EPS, FA/TA, LA/TD, Size, TD/TA

The table presents the regression results including the VIF test and F-test assessing the model's goodness of fit. The F-statistic, a measure of the model's validity, shows a value of 5.028 with a corresponding p-value of 0.107, which is greater than or equal to 0.05. Additionally, the Variance Inflation Factor (VIF) for each independent variable is less than 10, indicating no multicollinearity among them. Therefore, the regression model using Ordinary Least Squares (OLS) is appropriate.

The R-squared (R^2), a measure of the model's overall fit, is 89.3%. This indicates that the model explains approximately 89.3% of the variation in Return on Assets (ROA) among the sample commercial banks. Thus, the model effectively captures 89.3% of the systematic variation in ROA, while the remaining 10.7% is attributed to other factors not included in the model.

Examining the coefficients above the table reveals the relationships between the dependent variable (ROA) and each independent variable. The regression coefficient for Earnings Per Share (EPS) is 0.001, suggesting that a one-unit increase in EPS leads to a 0.1% increase in ROA on average. However, with a p-value of 0.823, EPS does not show a significant relationship with ROA for the selected banks.

The coefficient for Fixed Assets to Total Assets Ratio (FA/TA) is 0.020, indicating that a 1% increase in FA/TA results in a 2% increase in ROA on average. Similarly, with a p-value of 0.881, FA/TA does not show a significant relationship with ROA for the sample banks.

Conversely, the coefficient for Loan and Advance to Total Deposit Ratio (LA/TD) is 0.26, suggesting that a 1% increase in LA/TD leads to a 26% increase in ROA on average. This relationship is statistically significant with a p-value of 0.037, indicating a meaningful association between LA/TD and ROA for the sample banks.

The coefficient for Number of Branches is -0.003, implying that a 1% increase in the number of branches results in a 0.3% decrease in ROA on average. However, with a p-value of 0.624, the Number of Branches does not show a significant relationship with ROA for the sample banks.

Finally, the coefficient for Total Debt to Total Assets Ratio (TD/TA) is 0.016, indicating that a 1% increase in TD/TA leads to a 1.6% decrease in ROA on average. While this relationship is close to being significant with a p-value of 0.096, it does not meet the traditional 0.05 significance level.

In summary, the regression analysis suggests varying degrees of significance in the relationships between ROA and the independent variables studied, with LA/TD being notably significant.

Table 11

Regression Analysis of ROE

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	97.464	102.629		.950	.412
	ROA	12.704	54.870	.137	.232	.832
	FA/TA	12.035	9.491	.298	1.268	.294
	LA/TD	-1.012	1.483	-.620	-.683	.544
	Size	-.720	.493	-.466	-1.459	.241
	TD/TA	.220	1.106	.110	.199	.855

a. Dependent Variable: X2

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1012.624	5	202.525	4.650	.118[b]
	Residual	130.649	3	43.550		
	Total	1143.273	8			

a. Dependent Variable: ROE

b. Predictors: (Constant), ROA, FA/TA,LA/TD, Size &TD/TA

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941[a]	.886	.695	6.59922

a. Predictors: (Constant), ROA,FA/TA,LA/TD, Size &TD/TA

The table 11 presents the regression results with VIF test and F test of the model's goodness of fit. Findings 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 4.650 and a p-value is also 0.118 which is ≥0.05. Since the VIF statistic is less than 10 for each independent variable, there is no Multi-collinearity among the independent variables. Therefore, regression model 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 88.6%. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 88.6% of the variability the EPS of sample commercial banks. This means that the model explains about 88.6% of the systematic variation in the dependent variable. That is, about 88.6% of the variations in EPS of the Sample commercial banks are accounted and captured by the model and remaining 11.4% variation of EPS of Sample commercial banks are not capture (or effects on other variables) by the model. Hence the coefficient analysis above the table shows the relationship between dependent variable and each independent variable. The regression coefficient of ROA is 12.704 which indicate that if we increased ROA by 1%, the average influence on the EPS will increased by Rs. 1270.4. Similarly, the corresponding P value is 0.832which is more than 0.05 significance level; hence statistically, there is no significance relationship between EPS and ROA of elected banks respectively. The regression coefficient of Fixed Assets to Total Assets ratio (FA/TA) is 12.305 which indicates that if we increased Fixed Assets to Total Assets ratio by 1%, the average influence on the EPS will increased by Rs.1230. Similarly, the corresponding P value is 0.294 which is more than 0.05 significance level; hence there is no significance relationship EPS with FA/TA.

4.2 Discussion

Over the eight-year study period, NMB, NABIL, and SCBNL effectively utilized their assets to achieve higher turnover compared to EBL, HBL, NBBL, and SBI. However, SBI and NABIL showed slightly higher risk for shareholders due to underutilization of their own assets. Notably, EBL and NABIL demonstrated more consistent Return on Assets (ROA) compared to other banks, while NABIL and EBL also exhibited superior Earnings Per Share (EPS) performance over SCBNL, HBL, and SBI.

HBL maintained a higher Fixed Deposit ratio relative to NMB, EBL, SBI, NBBL, NABIL, and SCBNL, indicating a larger portion of its deposits were in fixed assets. Descriptive statistics revealed that ROA averaged 2.0211%, with a range from 1.78% to 2.17%, indicating stability over the study period. EPS averaged 49.5867%, ranging from 31.58% to 61.82%, with a standard deviation of 11.96%.

Regarding financial ratios, Fixed Assets to Total Assets (FA/TA) averaged 1.0967%, Loan and Advance to Total Deposit (LA/TD) averaged 71.05%, and Total Debt to Total Assets (TD/TA) averaged 89.92%. These ratios highlight varying degrees of asset management and leverage across the sample banks.

Statistical analyses revealed correlations between financial indicators. ROA showed a positive correlation with FA/TA (0.498) and LA/TD (0.699), indicating effective asset management and direct relationships with loan deployment strategies. However, ROA showed a negative correlation with TD/TA (0.110), suggesting potential risks associated with higher debt levels.

Regression analyses indicated that changes in EPS had no significant influence on ROA (coefficient = 0.001, p = 0.823), while FA/TA (coefficient = 0.020, p = 0.881) and Number of Branches (coefficient = -0.003, p = 0.624) also showed no significant relationship with ROA. Conversely, LA/TD ratio changes significantly impacted ROA (coefficient = 0.26, p = 0.037), highlighting the importance of loan and deposit management strategies.

In conclusion, while some banks showed more effective asset utilization and consistent financial performance, others faced challenges related to asset management and debt levels. These findings underscore the importance of strategic financial management in ensuring sustainable performance and shareholder value.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

Descriptive statistical analyses are used to rank the performance, measuring the dispersion and the stability-variability of the indicators. The research goes one step further and measures the financial stability of the seven banks. Conclusions are drawn from the computation of the relevant ratios. Subsequently, each bank's performance is then ranked via the use of descriptive statistical analysis. This type of analysis are used to summarize the performance of each bank based on three criteria, mean, standard deviation, coefficient of variation and the overall stability of each banks performance. The findings showed that the elected banks performed reasonably well during the period studied while Everest bank limited benefitted by having an overall higher degree of, liquidity, tangibility profitability, and Size.

The purpose of this study is to compare the financial performance of seven commercial banks likewise, Himalayan Bank Limited, NABIL Bank Limited, Standard Charter Bank Nepal Limited, SBI bank Limited, Everest Bank Limited, NMB Bank Limited and Nepal Bangladesh Bank Limited between the years 2015/016 to 2022/023. Quantitative analysis is undertaken by looking at various sets of financial variables that are routinely used to measure bank performance. The main ratios that are employed put a particular focus on the banks profitability, liquidity, Tangibility, Size, and capital structure as reliable indicators of a bank performance. In addition, aggregate testing of correlation and regression are used to test the significance impact of ROA, EPS, Size, TD/TA, LA/TD and FA/TA of seven banks namely NMB, HBL, SCBNL, NABIL, SBI, EBL and NBBL. The study found that overall elected banks financial performance increased considerably in the eight years of the analysis.

5.2 Conclusion

The primary objective of this research is to examine the financial performance of Nepalese commercial banks, specifically focusing on Himalayan Bank Limited, Standard Chartered Bank Nepal Limited, NABIL Bank Limited, SBI Bank Limited, and Everest Bank Limited. The study encompasses data from the fiscal years 2014/015 to 2022/023. Descriptive statistics reveal that the average Return on Assets

(ROA) for the period was 2.0211%, ranging from a minimum of 1.78% to a maximum of 2.17%, with a standard deviation of 0.129%. Similarly, Earnings Per Share (EPS) averaged 49.5867%, ranging from 31.58% to 61.82%, with a standard deviation of 11.96%.

ROA and EPS serve as the dependent variables in this study. The analysis indicates a negative correlation between ROA and EPS, with no statistically significant relationship observed between these two variables. Additionally, there is no significant association between ROA and Fixed Assets to Total Assets ratio (FA/TA). Conversely, Loan and Advance to Total Deposit ratio (LA/TD) shows a positive correlation with ROA, indicating that effective management of loan portfolios positively impacts profitability. The size of banks shows a positive relationship with ROA, although statistically insignificant. On the other hand, ROA exhibits a negative correlation with Total Debt to Total Assets ratio (TD/TA), with no significant relationship identified.

The regression analysis highlights that ROA positively impacts the regression coefficient of Earnings Per Share (EPS), Fixed Assets to Total Assets ratio (FA/TA), and Loan and Advance to Total Deposit ratio (LA/TD). Conversely, Number of branches and Total Debt to Total Assets ratio show a negative impact on ROA. EPS positively influences Fixed Assets to Total Assets ratio but negatively impacts Loan and Advance to Total Deposit ratio (LA/TD), Number of branches, and Total Debt to Total Assets ratio.

Overall, the selected banks demonstrate stability, adequate capitalization, profitability, and maintain a sound financial position. The findings underscore that ROA and EPS significantly contribute to the profitability performance of the sample banks, supported by tangibility and liquidity indicators.

5.3 Implication

In today's interconnected and liberalized global economy, the banking sector stands as a pivotal element of the financial system, facing numerous challenges. It is imperative for Nepalese banks and financial institutions to bolster their competitiveness through the introduction of innovative, value-added products alongside traditional offerings. Key strategies to enhance the performance of commercial banks include improving service quality, increasing deposits, ensuring asset quality, and investing in government securities as well as in underserved and priority sectors.

Moreover, there is a need to adopt a more liberal lending policy and implement sound credit allocation practices, while also embracing innovative marketing approaches. Branch expansion into rural areas and strategic locations is crucial for national development. Investment in human resource development is essential to foster global competitiveness, focusing on employee motivation, retention, and utilization. Improving operational efficiency at the grassroots level and enhancing the working environment are also critical aspects.

To compete effectively in the global market, banks are embracing new technologies while adhering to regulatory guidelines issued by the Nepal Rastra Bank (NRB) that govern their operations. Banks should manage liquidity prudently in accordance with NRB directives. Aggressive marketing campaigns are recommended to attract more deposits and channel these funds into productive sectors. Furthermore, recruiting competitive talent is essential to meet the challenges of competition and enhance brand value among customers.

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ABSTRACT The aim of this study is to assess the financial performance of seven commercial banks operating in Nepal, namely Himalayan Bank Limited, NABIL Bank Limited, Standard Chartered Bank Nepal Limited, SBI Bank Limited, Everest Bank Limited, NMB Bank Limited, and Nepal Bangladesh Bank Limited over the period from 2014/015 to 2022/023. The study employs quantitative analysis focusing on various financial metrics commonly used to evaluate bank performance. Key ratios such as profitability, liquidity,