FINANCIAL ANALYSIS OF LISTED HOTEL AND TOURISM COMPANIES IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Financial Analysis of Listed Hotel and Tourism Companies 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.

Anju Bhujel

Date:

REPORT OF RESEARCH COMMITTEE

Ms. Anju Bhujel has defended research proposal entitled **"Financial Analysis of Listed Hotels and Tourism Companies in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Rita Maskey and submit the thesis for evaluation and viva voce examination.

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APPROVAL-SHEET

We, the undersigned, have examined the thesis entitled **Financial Analysis of Listed Hotels and Tourism Companies in Nepal** presented by Ms. Anju Bhujel a candidate for the degree of Master of Business Studies (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Anju Bhujel

Researcher

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ABBREVIATIONS

A/C	=	Account
BAFIA	=	Banking and Financial Institution Act
BFs	=	Banking and Financial Institutions
BVPS	=	Book value per share
CF	=	Cash Flow
EPS	=	Earnings per Share
LPP	=	Loan Loss Provision
MPS	=	Market price of stock
NEPSE	=	Nepal stock exchange
NPM	=	Net Profit Margin
NRB	=	Nepal Rastra Bank
P/L	=	Profit and loss
PE ratio	=	Price earnings Ratio
P-Value	=	Probability Value
ROA	=	Return on Assets
ROE	=	Return on Equity
TIE	=	Times interest earned

ABSTRACT

This study aims to analyze the financial status of listed star hotel companies in Nepal, specifically focusing on the impact of liquidity on profitability. Utilizing a causal research design, the study examines three key financial ratios: return on assets (ROA), return on equity (ROE), and earnings per share (EPS). Three listed star hotels were selected through judgmental sampling, and data from the past five years were analyzed. Averages of these financial ratios were compared, and regression analysis was applied using SPSS to determine the impact of liquidity. The findings indicate that at a 5% level of significance, liquidity does not significantly affect the financial ratios.

Contrary to many studies that suggest liquidity improves financial performance, this research found that debt, asset utilization, and liquidity positively influence the financial performance and shareholders' value of Nepalese hotel companies. It is recommended that future research should explore the effects of investment in other economic sectors to draw parallels with the hotel and tourism sector. This could provide a broader understanding of how different investment strategies impact financial performance across various industries.

Key Words: Liquidity position, Assets utilization, Inventory turnover, Debt management, Return on assets(ROA) and Earnings per Share(EPS)

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Financial analysis is a critical step preceding financial planning and budgeting in any enterprise. While financial statements provide key financial indicators, a comprehensive economic study requires a broader range of data. Given the heightened attention to prudent resource management amid financial and global economic crises, achieving long-term corporate stability is a shared goal among all companies, including those in the hotel management sector. Evaluating business performance through financial analysis is crucial for mitigating risks and gaining a deeper understanding of a hotel's market position. It integrates findings from various fields to offer insights into cash flows, business operations, and financial health, enabling management and stakeholders to make informed decisions.

Profitability, the ability of an investment to generate returns, is a central focus of financial analysis. It reflects the link between a company's resources and its earnings, serving as a broad indicator of organizational strength and weaknesses. Profitability metrics such as revenue, gross profit margin, and net profit margin highlight how effectively a hotel manages expenses and generates income. These metrics inform management decisions regarding expansion, technology adoption, financing strategies, bonuses, and dividends based on historical performance comparisons.

In addition to profitability, a comprehensive financial analysis of a hotel encompasses liquidity, solvency, and efficiency. Liquidity assesses the hotel's ability to meet short-term obligations using ratios like quick and current ratios. Adequate liquidity ensures operational sustainability and robust cash flow management. Solvency indicators such as debt-to-equity ratio and interest coverage ratio gauge the hotel's long-term financial health and ability to service debts effectively. Efficiency metrics such as occupancy rate, average daily rate (ADR), and revenue per available room (RevPAR) measure the hotel's operational efficiency and revenue generation capability.

The hotel and tourism industry is a key driver of the services sector in Nepal's economy, contributing significantly to GDP and foreign exchange earnings. Despite its growth potential, the hotel industry faces challenges including stiff global competition, regulatory changes, technological advancements, socio-cultural shifts, and economic fluctuations. Adaptability to these challenges is crucial for sustained growth. Financial challenges such as accessing government incentives and securing affordable financing with favorable terms remain obstacles to expansion and profitability in the hotel sector.

In summary, a thorough financial analysis of hotels not only assesses profitability but also examines liquidity, solvency, and efficiency, providing a holistic view of financial performance. This analysis supports informed decision-making by stakeholders and identifies areas for improvement to ensure long-term financial viability amid dynamic market conditions and competitive pressures in the global economy.

1.2 Problem statement

Given the rapid growth and significant economic impact of the tourism and hospitality sectors, particularly in developing nations like India, these industries play a crucial role in addressing various socioeconomic challenges. Notably labor-intensive, the tourism sector boasts the highest employment-to-investment ratio among all sectors in India. Beyond direct employment in hotels, restaurants, airlines, travel agencies, and passenger ships, tourism also indirectly stimulates job creation across construction, telecommunication, manufacturing, and retail sectors.

Profitability ratios are fundamental tools used to evaluate a company's financial performance. These ratios quantify the relationship between profit and either investment or sales, offering insights into operational efficiency. James C. Van Horne categorizes profitability ratios into those that measure profitability relative to sales and those relative to investment. Comparative analysis with industry peers is essential for interpreting these ratios effectively, as it helps determine whether a company's profitability is competitive or lagging. Relative performance is crucial because a company's ability to provide adequate returns on investment impacts its survival and competitiveness in the market.

Financial indicators, including liquidity ratios, are crucial for assessing short-term solvency. These ratios, calculated based on working capital and short-term obligations,

are vital for short-term creditors evaluating a company's ability to meet its immediate financial obligations. The operational cycle dictates the optimal value of liquidity ratios, representing the timeframe from investment in products and services to the realization of revenue.

Debt ratios provide insights into a company's financial structure and its reliance on borrowed funds and interest-bearing obligations. These ratios are instrumental in assessing a company's financial health and the sources of funding for its assets and operations. They do not, however, reflect the operational performance of the organization but focus solely on its financial leverage and risk exposure.

financial analysis, encompassing profitability ratios, liquidity ratios, and debt ratios, provides a comprehensive evaluation of a company's financial health, operational efficiency, and risk management strategies. This analysis is essential for stakeholders, including investors, creditors, and management, to make informed decisions and assess the company's ability to sustain profitability and navigate financial challenges effectively.

- What is the level of profitability, Liquidity, Assets utilization and Debt position of listed Hotels in Nepal?
- What is the relationship between Liquidity, assets utilization, debt potion and profitability?
- What is the impact of liquidity, assets management, and debt on profitability of listed Hotels in Nepal?

1.3 Objectives of the Study

- To assess level of profitability, Liquidity, Assets utilization and Debt position of listed Hotels in Nepal?
- To evaluate the relationship between Liquidity, assets utilization, debt potion and profitability?
- To analyze the impact of liquidity, assets management, and debt on profitability of listed Hotels in Nepal?

1.4 Research Hypotheses

H1: There is significant positive effect of Liquid ratio on Return on assets (ROA)

H2: There is significant positive effect of assets turnover on Return on assets (ROA)

H3: There is significant positive impact of inventory turnover on Earnings per Share (EPS)

H4: There is significant positive relationship between Debt ratio and Return on assets (ROA)

H5: There is significant positive impact of TIE ratio and Return on equity (ROE)

1.5 Rationale of the study

The hospitality industry in Nepal is experiencing significant growth, yet there remains a dearth of comprehensive studies or research projects examining the operational efficiency and financial performance of businesses within this sector. For accounting professionals, decisions regarding capital allocation, investments, and operational strategies are critical as they directly influence financial outcomes and overall business analysis. Addressing this gap in research, an investigation into the financial performance of hotel-related businesses in Nepal is crucial. By analyzing the financial data of these businesses, it becomes possible to identify strengths, weaknesses, and areas for improvement, thereby guiding strategic decisions to enhance business operations.

Corporate stakeholders, including investors, owners, creditors, and shareholders, each have distinct goals and interests that rely heavily on a company's financial success. This research aims to highlight the variables involved in financial analysis and provide insights that financial managers can leverage to optimize financial performance. The study's significance lies in its potential to inform stakeholders positively, fostering informed decision-making and strategic planning within the hospitality sector. Furthermore, this research can serve as a valuable reference for future studies focused on Nepal's hotel industry, benefiting academics, professionals, investors, and scholars interested in the sector's dynamics and growth prospects.

Moreover, this study is expected to educate decision-makers on the importance of effectively managing capital structures to sustain long-term success in Nepal's evolving hospitality landscape. By bridging the research gap and providing empirical insights, this study aims to contribute to the broader understanding and development of Nepal's hospitality industry, supporting its continued growth and resilience amidst economic and market challenges.

1.6 Limitations of the Study

The research has made an effort to assess the financial performance of Nepal's listed hotels. The following restrictions apply to the study.

- Bank secondary sources (websites, financial reports, etc.) were used to collect the data.
- The research does not address other elements and instead concentrates on financial analysis.
- This study has only used a small number of statistical and financial techniques, and it is based on data and information from just ten fiscal years.
- The study's findings might not be applicable in other industries because it just focuses on Nepal's hotel and tourist industries.

CHAPTER-II

REVIEW OF LITERATURE

2.1 Theoretical Review

Liquidity preference theory

John Maynard Keynes' liquidity preference hypothesis posits that individuals and organizations prefer to hold their wealth in liquid assets such as cash or short-term securities rather than tying it up in illiquid investments. This preference is driven by the need for financial flexibility to cover unforeseen expenses or capitalize on sudden investment opportunities. However, there exists a trade-off between liquidity and profitability. By prioritizing liquidity and holding a significant portion of assets in low-yielding liquid forms, entities may forego higher returns available from more profitable but less liquid investments. This conservative approach to asset allocation can limit overall profitability, as a larger portion of capital remains uninvested or earns lower returns. Therefore, achieving financial success requires striking a balance between maintaining liquidity for security and seizing profitable investment opportunities to maximize returns. Finding this balance ensures that businesses and individuals can effectively manage risk while capitalizing on growth opportunities in dynamic financial environments.

MM Theory

The Modigliani-Miller (MM) hypothesis, in its various forms, asserts that in an ideal capital market without any frictions, a firm's total value or profitability remains unaffected by its capital structure, including the mix of debt and equity financing. According to this hypothesis, changes in the proportion of debt versus equity financing do not impact profitability because investors can adjust their preferences for capital structure to maintain their desired risk-return profile freely.

However, the applicability of MM theory to real-world scenarios hinges on practical constraints and considerations. In reality, factors such as taxes, bankruptcy costs, and market imperfections influence a firm's capital structure decisions. For instance, the cost

of debt, including interest payments and tax shields, as well as potential financial distress costs, can affect a firm's economic viability and profitability. Therefore, while MM theory provides valuable insights into the theoretical implications of capital structure, real-world conditions often introduce complexities that impact how firms manage their financial structures to optimize profitability and mitigate risks effectively. Thus, understanding both the theoretical underpinnings of MM theory and the practical constraints of real-world financial environments is crucial for making informed financial decisions and managing corporate finances effectively.

Pecking order theory

According to Myers and Majluf's Pecking Order Theory, which outlines a hierarchy of preferred funding sources for companies, internal cash (retained earnings) is the most preferred, followed by debt, and finally equity issuance. This theory suggests that firms prioritize using internal funds to finance their investments whenever possible, rather than resorting to external financing. Pecking Order Theory suggests that profitability influences a firm's financial decisions by enabling it to prioritize internal funds over external financing. This strategic use of internal resources not only supports financial stability but also potentially reduces the cost of capital, thereby enhancing overall profitability and competitiveness in the market.

Concept of financial analysis

Financial analysis involves assessing companies, projects, financial plans, and other activities to determine their feasibility and suitability. It aims to determine whether a company is profitable, solvent, stable, or sufficiently liquid to warrant financial investment. Financial analysis plays a crucial role in evaluating economic trends, setting financial policies, defining long-term company objectives, and selecting businesses or projects for investment. Analysts achieve this by synthesizing and interpreting data and financial figures from key documents such as the balance sheet, income statement, and cash flow statement. Financial analysis is conducted in various contexts, including investment finance and corporate finance, using methods such as ratio analysis to

compare data from accounting records against industry standards or the company's historical performance.

Corporate Financial Analysis

In corporate finance, internal analysis conducted by the accounting department plays a crucial role in aiding management decisions. This analysis typically utilizes financial ratios like net present value (NPV) and internal rate of return (IRR) to assess the viability of potential projects and investments. These tools help determine the profitability and feasibility of projects over their projected lifespans, guiding decisions on resource allocation and strategic planning within the company.

Managing accounts receivable effectively is another critical aspect of financial analysis. Many businesses extend credit to customers, delaying cash receipts from sales. Monitoring metrics such as days sales outstanding (DSO) helps businesses with significant accounts receivable balances to track how long it takes to collect cash from credit sales. DSO is a key component of the cash conversion cycle, which measures the time it takes for a company to convert its investments in inventory and other resources into cash flows from sales.

Furthermore, historical trend analysis is pivotal for extrapolating past performance into future projections. By analyzing trends in net revenue, profit margins, and other financial metrics over time, companies can identify seasonal patterns and cyclical trends in their business operations. For example, businesses may observe increased sales leading up to the holiday season, which allows them to forecast budgets and make informed decisions on inventory levels and resource management based on historical data.

In summary, internal financial analysis in corporate finance involves leveraging ratios like NPV and IRR for project evaluation, managing accounts receivable through metrics like DSO to optimize cash flow, and using historical trend analysis to forecast future performance and make strategic business decisions. These practices enable companies to enhance financial management, improve decision-making processes, and achieve long-term business goals effectively.

Investment Financial Analysis

Top-Down Approach: A top-down strategy begins with a macroeconomic perspective. Analysts first identify high-performing industries or sectors based on economic trends, market conditions, and other macro indicators. They then delve deeper to pinpoint top-performing companies within those industries. This involves evaluating factors such as market share, competitive positioning, management quality, and growth prospects of individual companies. Finally, analysts focus on the specific fundamentals and financial metrics of each selected company to determine which stocks offer the most promising investment opportunities.

Bottom-Up Approach: Conversely, a bottom-up approach concentrates on analyzing individual companies in-depth. Analysts scrutinize the company's financial statements, historical performance, and projected future earnings potential. They assess factors such as revenue growth, profitability margins, efficiency ratios, and management effectiveness. Moreover, bottom-up analysis considers microeconomic factors specific to the company, including industry dynamics, competitive landscape, product demand, and operational efficiencies. This method prioritizes detailed examination of company-specific data and metrics to identify strong investment prospects.

Both approaches aim to identify profitable investment opportunities, but they differ in their initial focus and the depth of analysis conducted. The top-down approach starts with broader economic trends and narrows down to individual stocks, while the bottom-up approach begins with detailed analysis of specific companies and considers broader market contexts as secondary factors. Investors and analysts often choose between these approaches based on their investment goals, risk tolerance, and the prevailing market conditions.

Types of Financial Analysis

Financial analysis involves scrutinizing an organization's financial data to facilitate business decisions. There are various formats for this analysis, each serving distinct purposes:

Horizontal Analysis: This involves comparing a company's financial performance across consecutive reporting periods to identify trends or anomalies that warrant further investigation.

Vertical Analysis: Also known as common-size analysis, it assesses different expense categories on the income statement or assets and liabilities on the balance sheet as a percentage of net sales. Changes in these percentages over time can highlight shifts in financial structure.

Liquidity Analysis: This examines working capital and turnover rates for inventory, accounts payable, and receivable. It focuses on ensuring sufficient cash flow to meet short-term obligations, especially after strategic changes or capital expenditures.

Profitability Analysis: This assesses a company's ability to generate profit, often dissecting profits by product line, geographic region, or business unit. It informs decisions related to pricing strategies, cost management, and resource allocation.

Multi-Company Comparison: Comparing key financial metrics of two companies, typically within the same industry, helps evaluate relative strengths and weaknesses. This aids in strategic decisions like mergers or acquisitions.

Industry Comparison: Similar to multi-company comparison but compares a company's performance against industry benchmarks. It helps identify deviations from industry norms and competitive positioning.

Valuation Analysis: This includes various methods to estimate a company's worth, such as asset-based valuation, comparable company analysis, and discounted cash flow analysis. It supports decisions related to investments, acquisitions, or sales.

Classification of Hotels in Nepal

The Nepalese hotel industry is classified by the Department of Tourism, Ministry of Culture, Tourism, and Civil Aviation, through a voluntary scheme that categorizes hotel projects into 5 Star, 4 Star, 3 Star, 2 Star, 1 Star, Tourist Standard, and Tourist Resort. This classification aims to ensure and uphold modern standards of facilities and services. Hotels categorized under this scheme are eligible for renewal every five years. Broadly,

the Nepalese hotel industry can be categorized into these segments based on the classification provided by the tourism department.

Classification of Hotels in Nepal

Based on location	Based on level of service	Based on size
• Downtown Hotels • Suburban Hotels • Motels • Transit Hotels • Transit Hotels	• World-class Service Hotels • Mid-range Service • Hotels Economy Hotels	• Small Hotels • Medium Hotels • Large/Very Large Hotels

Hotel Industry characteristics

The hospitality industry can be segmented into business and leisure destinations, though many locations cater to both types of travelers. Demand dynamics vary significantly between these segments. The industry is inherently cyclical: during economic upswings, there is sustained growth with healthy average room rates (ARRs) and occupancy rates (ORs). Conversely, downturns lead to declining ORs followed by ARRs.

Business destinations are particularly influenced by macro-economic indicators such as nominal GDP, inflation, and lending rates, impacting metrics like Revenue Per Available Room (RevPAR). In contrast, leisure destinations are more sensitive to non-economic factors such as natural disasters, terrorist incidents, and health-related travel advisories, which can drastically affect visitor numbers.

Recent initiatives and increased domestic and international trade have bolstered foreign traveler numbers in the country, positively impacting overall RevPAR trends.

Seasonality also plays a crucial role in hotel demand. Both business and leisure destinations experience a peak season from January to March. Outside of this period, their behaviors diverge: business destinations maintain stable ORs from April to November, but see a sharp decline in December coinciding with international holidays.

Leisure destinations, on the other hand, face lower ORs from May to October, with occupancy rates picking up in December due to holiday seasons.

Provision relating to tourist standard Hotel, Lodge, Restaurant or Resort and Bar

Registration as Tourist Standard

Application for Registration: Any person interested in registering their hotel, lodge, restaurant, resort, or bar as a tourist standard must submit an application in the prescribed format to the Government of Nepal.

Criteria for Registration: If the hotel, lodge, restaurant, resort, or bar meets the prescribed facilities as per subsection (1), it shall be registered as a tourist standard. Hotels specifically shall be classified according to the prescribed tourism standard.

Registration Fees: Fees for the registration of hotels, lodges, restaurants, resorts, and bars shall be as determined and prescribed.

Constitution of Standard Fixation Committee

Committee Formation: The Government of Nepal may establish a Standard Fixation Committee to recommend the classification or registration of hotels, lodges, restaurants, resorts, and bars as tourism standards.

Committee Composition: The Chairperson and Members of the committee mentioned in subsection (1) shall be appointed as prescribed by the Government of Nepal.

Power of Inspection and Experimentation

Inspection and Experimentation: The Government of Nepal reserves the right to inspect registered hotels, lodges, restaurants, resorts, and bars, and may conduct experiments on food and beverages served therein.

Maintenance of Standards: If during inspection or experimentation the facilities do not meet prescribed standards, the Government of Nepal shall provide a reasonable period for the establishment to comply.

Suspension or Downgrading: If the establishment fails to meet standards within the given period, the Government of Nepal, in consultation with the Standard Fixation Committee, may suspend or downgrade its registration.

Reinstatement: Upon meeting prescribed standards subsequently, the Government of Nepal may reinstate the registration or restore it to its previous classification.

Revocation: If the establishment fails to comply within one year of suspension, the Government of Nepal may revoke its registration as per Section 10.

Publication of Price List

Hotels, lodges, restaurants, resorts, and bars registered under Section 10 shall submit their rate or price lists to the Government of Nepal for publication and public availability as prescribed.

Restrictions on Unregistered Establishments

Prohibited Acts: Establishments not registered under Section 10 are prohibited from:

Using any word or sign on signboards, advertisements, or transactions that imply tourist standard status.

Advertising directly to tourists or travel agencies abroad for accommodation or food purposes.

Misleading Signs: Hotels must not use any sign or wording that implies a higher tourist standard than their registered classification under Section 10.

Penalties

Operational Violations: Operating an unregistered hotel, lodge, restaurant, resort, or bar as a tourist standard or violating Section 14(1) may result in fines:

Up to Ten Thousand Rupees for the first offense,

From Ten Thousand Rupees up to Thirty Thousand Rupees for the second offense,

From Thirty Thousand Rupees up to Fifty Thousand Rupees for subsequent offenses.

Signboard Violations: Violating Section 14(2) regarding misleading signs may lead to suspension or cancellation of the establishment's registration.

Obstruction: Anyone hindering Government of Nepal personnel during inspections or food experiments under Section 12 may face fines up to Ten Thousand Rupees.

Appeals: Anyone aggrieved by Government orders under subsections (1), (2), or (3) may file a complaint within thirty-five days with the Court of Appeal.

2.2 Empirical Review

Review of international article

Vijayalakshmi & Snekha.B (2021), Financial analysis involves the systematic process of assessing a firm's financial position by establishing meaningful relationships between items from its financial statements, such as the balance sheet and profit and loss account. This study specifically explores the analysis of liquidity and profitability of Hero Motocorp Limited, utilizing secondary data sourced from the company's annual reports over the past five years.

The studies reviewed here delve into various aspects of profitability analysis within different sectors, providing insights into financial performance metrics and their implications. Manjunatha & Vikas (2020) focused on 25 infrastructure companies listed on BSE India from 2009 to 2018, finding positive return on equity (ROE), return on sales (ROS), return on assets (ROA), and asset turnover ratio (ATO), underscoring these metrics' utility in assessing profitability within Indian infrastructure firms.

Diddimani (2020) examined the profitability of listed hotel companies in India, using financial data from sources like Bombay Stock Exchange and CAPITALINE plus database. The study concluded that the profitability indicators such as Operating Profit Ratio, Net Profit Ratio, ROA, return on net worth, and Earnings Per Share varied across selected companies, with regression analysis highlighting associations between ROA and financial variables like quick ratio and interest coverage ratio.

The focus of the analysis includes evaluating the company's financial performance and major findings indicate that Hero Motocorp Limited achieved an ideal current ratio of 2 during the fiscal year 2019-20. This ratio is typically interpreted as a favorable indicator of a company's ability to meet its short-term obligations.

Manufacturing industries, including those engaged in production and maintenance of industrial equipment and subcontracting for private entities, are highlighted as significant sectors in the economy (Gundes et al., 2019; Bhatt et al., 2020; Goodell et al., 2021). Effective long-term business planning and financial management are crucial for sustaining operations and achieving organizational objectives.

Bhushan & Mamilla, (2020), he study examines the overall financial health of Bharat Heavy Electricals Limited (BHEL) by analyzing selected financial ratios. The research relies on secondary data sourced from annual reports spanning the period from 2013-14 to 2017-18. Through the application of ratio analysis, mean calculations, and Chi-square tests, the study aims to provide insights into BHEL's financial performance.

This research holds significance not only for startups in the Indian Electrical Equipment Industry but also for governmental efforts aimed at bolstering India's automobile sector.

One of the key findings of the study indicates a decline in the gross profit ratio of BHEL, from Rs. 45.49 crores to Rs. 45.00 crores. This decrease suggests that the company's gross profit condition has weakened, signaling potential challenges in generating profits from its core operations.

The research highlights a negative relationship between working capital management and gross operating income, as indicated in studies such as Girma (2019) and Bhatia & Srivastava (2016). Specifically, metrics like days' inventory outstanding, days' sales outstanding, and cash conversion cycle were negatively correlated with profitability measures such as gross operating profit. Moreover, the study found that the net trade cycle (NTC) and cash conversion cycle (CCC) also exhibited negative relationships with profitability.

Conversely, there were positive associations observed between certain liquidity ratios and gross operating profit. For instance, Sultan & Murtaza (2019) noted a positive relationship between the current ratio and gross operating profit, whereas Madushanka & Jathurika (2018) highlighted a positive correlation between the quick ratio and profitability.

In the context of Nepalese manufacturing companies, the sector faces significant challenges. Many large companies have closed, and others are struggling due to low profit margins. The sector's growth has been uneven due to various longstanding issues such as inadequate adoption of new technology, poor infrastructure, power shortages, political instability, challenging trading conditions, global competition, economic downturns, and the impact of the COVID-19 pandemic. Additionally, manufacturing in Nepal remains labor-intensive and relies primarily on local raw materials (Lamichhane, 2019).

Vikas Grag, Pooja Tewari (2018), Effective liquidity management and profitability are crucial aspects of financial decision-making for firms. Balancing profitability with liquidity ensures optimal fiscal performance, which is widely acknowledged as a key objective in financial management.

The primary aim of this research is to assess the significance of liquidity management and profitability within firms. The study focuses on analyzing these factors to understand their impact on overall financial health and performance.

One of the major findings highlighted in the research is that TATA, based on the average Operating Ratio of 48.98%, demonstrates excellent operational efficiency. This metric indicates that TATA has effectively managed its expenses relative to its revenue generation, resulting in a favorable operational performance.

Venkateswararao.Podile, (2018), The researcher conducted a profitability analysis of Tulasi Seeds Private Limited, a company established in 1992 near Guntur, Andhra Pradesh, specializing in seed manufacturing. The study examined various aspects including profit margins, profitability ratios related to investments, and ratios concerning different expenses.

According to the findings, certain ratios such as gross profit margin, cost of goods sold ratio, operating expenses ratio, administrative expenses ratio, selling expenses ratio, and financial expenses ratio were consistent or uniform over the period analyzed. However, other critical ratios including operating profit margin, net profit margin, return on assets ratio, return on capital employed ratio, and return on shareholders' equity ratio were found to be unstable.

The study emphasized that a high gross profit margin indicates effective management practices within the company. This metric reflects the efficiency with which the company manages its production costs relative to its revenue, suggesting strong operational control and profitability.

Despite their significant impact across various sectors such as manufacturing, supply chain management, construction, and logistics, manufacturing industries have historically received limited academic attention until recent years (Tepe et al., 2022; Al-Ajlouni et al., 2018; Dospinescu, 2021). The integration of advanced financial technologies has further accelerated their influence on daily life globally.

While individual studies provide valuable insights, a bibliometric analysis can offer a broader perspective and evaluation of manufacturing industry trends over time (Al-Ajlouni, 2018). Such analyses contribute to a comprehensive understanding of the evolving landscape and potential future directions for research and development within the manufacturing sector.

Ratio analysis emerges as a valuable management tool within this context, providing insights into financial performance trends and serving as key performance indicators (Chen et al., 2017; Zalan & Toufaily, 2017). Managers utilize ratio analysis to identify strengths and weaknesses within their financial structure, which in turn informs strategic decision-making and initiatives.

Furthermore, stakeholders such as investors and funders utilize ratio analysis to benchmark the company's financial performance against industry standards and to assess management effectiveness and overall impact on the company's mission (Arner et al., 2015; Sharma & Chowan, 2014).

Katawandee (2016) conducted a ratio analysis of Thai listed hotels during 2010-2014, assessing liquidity, solvency, activity, and profitability ratios alongside operational metrics such as occupancy rate, Average Daily Rate (ADR), Revenue Per Available Room (RevPAR), and operating costs. The study emphasized the importance of enhancing profitability and financial management to improve competitiveness within the ASEAN hotel industry.

These studies collectively underscore the significance of profitability ratios in evaluating business performance and attracting investor confidence. They highlight the need for robust financial management strategies tailored to industry-specific challenges and opportunities, providing valuable insights for both academic research and practical application in the hospitality and infrastructure sectors.

Ramasamy and Jothi (2016) The chapter titled "A Study on Liquidity and Solvency Analysis of Indian Hotel Industry" emphasizes the critical role of liquidity as a fundamental measure of a business organization's financial health. It underscores that the concept and nature of working capital, represented by current assets, signify investments turned over multiple times within a year. Current assets such as inventories and accounts receivable are typically realized during the firm's operating cycle, which usually spans less than a year. Therefore, the measurement of liquidity holds significant importance.

Liquidity is described as the lifeblood and controlling nerve center of a business. Similar to how blood circulation is vital for sustaining life, liquidity circulation is indispensable for maintaining business operations.

The performance of liquidity is evaluated through the analysis of investments in current assets and their management relative to short-term creditors. The study employs three key ratios for this purpose: the current ratio, liquid ratio, and debt-equity ratio. These ratios provide insights into the firm's ability to meet short-term obligations and manage its financial structure effectively.

Tanvir Mohammad Hayder, Jannat & Anwar (2016) The primary objective of this paper is to assess the feasibility and financial performance of the hotel industry in Cox's Bazar, Bangladesh. The analysis focuses on the financial statements of one of the most reputable hotels in the region, employing standard research methods with data collected from both primary and secondary sources. Specifically, financial information from five prominent local hotels—Hotel the Seagull, The Cox Today, The Ocean Paradise, The Sayman, and The Long Beach Hotel—has been gathered for this study.

The literature review highlights the significance of financial performance analysis, utilizing various financial statements and employing ratio analysis. Financial statements

from hotels in Cox's Bazar serve as the primary data source for this research. The findings indicate a positive trend in the performance of the hotel industry over the past five years, with gradual improvement observed compared to previous periods.

Ratio analysis and trend analysis were conducted to evaluate the financial position and feasibility of the hotel industry in Cox's Bazar. The research reveals a promising and profitable future for the local hotel industry. Capital budgeting techniques such as Payback Period, Accounting Rate of Return, and Net Present Value were applied, all yielding positive results across the board.

Dušan Borovčanin (2015) In a market economy, corporate finances represent a crucial but limited resource. The constraints posed by limited financial resources impact various operational aspects such as acquisition, marketing, distribution, and sales. Every department within a company is intertwined with financial operations, underscoring the critical importance of effectively allocating financial assets in modern business practices.

The decision-making process regarding the allocation of funds within a company necessitates thorough assessment, often facilitated by financial statements analysis and ratio analysis. These methods are widely recognized for their ability to provide a comprehensive evaluation of a company's financial performance by establishing connections among various items in financial statements through straightforward mathematical formulas.

One of the pivotal decisions facing hotel owners is whether to invest in franchise arrangements or management contracts with large international hotel corporations. These agreements are prevalent in expanding the footprint of corporate hotel systems but require substantial financial commitments. The justification of such investments often hinges on rigorous financial analysis.

This paper presents a comparative financial analysis of four city hotels, situated in Belgrade, Serbia, a market witnessing an increase in international arrivals. Two of these hotels operate under the banner of international corporate hotel chains, while the other two operate independently without adherence to corporate standards. The research focuses on the financial performance of these hotels, especially those under franchise agreements or management contracts, in a growing market context.

Sivakumar(2015) study, the international hotel industry holds significant importance within global tourism. These establishments cater to a diverse clientele from both domestic and international markets, offering a wide range of facilities and services. The research focuses on assessing the financial performance of the Indian hotel industry, emphasizing the prevalent use of financial measures over non-financial ones for performance evaluation.

The study underscores the critical link between hotel performance and the utilization of Balanced Scorecard (BSC) measures. As tourism expands, so does the demand for hotel services, necessitating effective competitive strategies for survival. Hotels must adopt performance measurement systems that align with the evolving industry landscape.

While numerous studies have explored the tourism potential of various regions, there remains a gap concerning research into performance measurement practices specifically employed by hospitality managers in India. The findings highlight that financial practices are predominantly adopted by hotels in the highest star category, contributing significantly to enhancing business performance.

M.Krishna Moorthi,&M.Ramesh (2012) Profitability in business operations reflects a company's efficiency in generating profits. This article investigates profitability related to sales and investments over the period from 2005-06 to 2010-11. The study reveals that while the Gross Profit Ratio showed positive results, the Net Profit Ratio was found to be unsatisfactory during this period.

Financial statement analysis is crucial for forecasting future performance based on historical data, as highlighted by Hales (2005). It involves regular assessments on daily, weekly, monthly, or quarterly basis to evaluate the productivity and overall performance of each business segment, a process integral to managerial decision-making (Bell et al., 1986). The fundamental financial statements used for this analysis include the balance sheet, income statement, cash flow statement, and statement of shareholders' equity, collectively offering insights to stakeholders and aiding managers in making informed decisions (Hales, 2011; Angelo & Vladimir, 2011).

Since the 18th century, ratio analysis has been widely employed to study financial data, particularly in the hotel industry where it assists in assessing financial condition

effectively (Lawder cited in Asadullah & Rehman, 2015; Kim & Ayoun, 2005). These ratios are derived from balance sheet and income statement data, helping analysts and managers gauge current performance against established benchmarks and make necessary adjustments (Dong Jin Kim, 2006). Comparative studies across various organizations and countries have revealed significant similarities among firms within specific sectors, underscoring the utility of ratio analysis as a tool for management, creditors, and shareholders alike (Mericet et al.).

In the hospitality industry, such as in Cox's Bazar, Bangladesh, where this study focuses on tourism and hospitality sectors over the past five years, ratio analysis is categorized into liquidity, solvency, activity, and profitability ratios (Sing et al., 2015). Liquidity ratios assess short-term solvency, solvency ratios evaluate long-term obligation capacity, activity ratios measure asset efficiency, and profitability ratios indicate operational and working efficiencies (Sing et al., 2015). These analyses provide critical insights into financial health, helping stakeholders in decision-making processes and strategic planning.

Review of National Article

In contrast, a study by Gomez et al. (2021) in the United States examined leverage and performance in the hospitality industry, revealing a high debt burden and its negative impact on firm efficiency. These studies underscore the importance of understanding capital structure dynamics in shaping financial performance across different sectors and regions.

Despite these insights, research on capital structure in developing countries like Nepal, particularly within the hospitality industry and non-financial sectors, remains limited. The findings from these studies contribute significantly to filling empirical gaps and expanding knowledge on how capital structure influences firm performance in diverse economic contexts.

Furthermore, the measurement of financial performance in financial institutions is pivotal for economic stability. Banks and financial institutions play a critical role as financial intermediaries, facilitating borrowing and lending activities that underpin economic

growth (Gautam, 2020; Kandel, 2019). Their operational efficiency and financial health directly impact the overall economic landscape, making the assessment of their performance crucial for predicting economic trends and developments

In Nepal, studies on capital structure and its impact on firm performance have shed light on significant findings. Bhattarai (2016) explored the effect of capital structure on the performance of manufacturing companies in Nepal, revealing a negative impact of capital structure on firm performance. Factors such as firm size and tangibility were identified as key determinants influencing performance alongside capital structure. Similarly, Jaishi and Poudel (2019) focused on non-financial institutions, finding that higher leverage correlates with lower efficiency, while more efficient firms tend to employ lower leverage. Jaishi's subsequent study (2020) on insurance companies in Nepal highlighted a positive impact of debt ratio and tangibility on return metrics like return on assets and earnings per share.

Ratio analysis serves as a crucial tool in financial analysis, providing investors with valuable insights into an organization's operational efficiency, profitability, and solvency capacity (Bhattacharya, 2011). By quantitatively relating financial data obtained from statements like the balance sheet and income statement, ratios offer a clear perspective on various aspects of a company's financial health, aiding stakeholders in making informed decisions.

Meta Analysis

Author(s)	Context	Methodology	Findings
Sivakumar (2015)	Financial performance of Indian hotel industry; focus on financial vs. non-financial measures.	Literature review and empirical study using secondary data.	Hotels in India primarily use financial measures for performance assessment. There's a positive link between hotel performance and Balanced Scorecard (BSC) measures. Effective competitive strategies and adaptable performance measurement systems are crucial for survival.
K. Ramasamy & M. Jothi (2016)	Liquidity and solvency analysis of Indian hotel industry.	Ratio analysis (current ratio, liquid ratio, debt equity	Emphasizes the importance of liquidity in day-to-day operations of hotels. Current assets turnover and management

		ratio).	of current liabilities are critical for financial health.
Tanvir Mohammad Hayder et al. (2016)	Feasibility analysis of hotel industry in Cox's Bazar, Bangladesh; financial statement analysis.	Combination of primary and secondary data; financial statement analysis, ratio analysis, capital budgeting techniques (Payback period, ARR, NPV).	Gradual improvement in financial performance of Cox's Bazar hotels over five years. Capital budgeting techniques suggest positive feasibility for hotel industry.
Dušan Borovčanin (2015)	Comparative financial analysis of city hotels in Belgrade, Serbia, operating under franchise vs. independent management.	Comparative analysis of financial statements, focusing on hotels under franchise vs. independent management.	Hotels under franchise agreements or management contracts show noticeable growth in a growing market. Financial analysis supports the decision-making process for investments into franchise arrangements.
Vijayalakshmi & Snekha.B (2021)	Financial analysis of Hero Motocorp Limited, focusing on liquidity and profitability.	Secondary data analysis from annual reports; ratio analysis (current ratio, etc.).	Hero Motocorp Limited demonstrated strong financial performance with an ideal current ratio in 2019-20.
Bhushan & Mamilla (2020)	Financial health of Bharat Heavy Electricals Limited using selected financial ratios.	Secondary data from annual reports; ratio analysis, mean, Chi-square tests.	Declining trend in gross profit ratio indicated poor financial health for Bharat Heavy Electricals Limited.
Vikas Grag & Pooja Tewari (2018)	Liquidity management and profitability in Tata Motors.	Secondary data analysis; focus on operating ratio.	Tata Motors achieved good operational efficiency with a low operating ratio of 48.98%.
Venkateswararao.Podile (2018)	Profitability analysis of Tulasi Seeds Private Limited.	Secondary data analysis; focus on	Mixed profitability ratios indicating variable performance in different aspects of

		profitability ratios (gross profit margin, net profit margin, ROA, ROCE, ROE).	profitability.
M. Krishna Moorthi & M. Ramesh (2012)	Profitability analysis of an unspecified company for 2005-06 to 2010-11 period.	Secondary data analysis; focus on profitability related to sales and investments.	Positive gross profit ratio but unsatisfactory net profit ratio for the analyzed period.
Diddimani (2020)	Profitability analysis of listed hotel companies in India.	Secondary data analysis from financial reports; focus on profitability indicators (Operating Profit Ratio, Net Profit Ratio, ROA, ROE, EPS). Regression analysis.	Satisfactory profitability observed in selected Indian hotel companies. Different rankings based on profitability indicators. Regression analysis highlights factors influencing Return on Assets (ROA).
Slisa Bhamornsathit et al. (2016)	Ratio analysis of Thai listed hotels (2010-2014) focusing on liquidity, solvency, activity, and profitability.	Descriptive statistics and ratio analysis; internal and external comparison.	Thai listed hotels show strength in operational performance; emphasis on increasing profitability and meeting financial obligations for competitiveness.
Singh & Schmidgall (2002)	Importance of liquidity, solvency, activity, profitability, and operating ratios in lodging industry.	Survey-based study; importance and frequency of financial ratio usage in lodging industry.	Operating and profitability ratios are crucial for lodging managers; no specific calculations were provided in this study.
Amit Sharma & Arun Upneja (2005)	Factors influencing financial performance of small hotels in developing countries.	Empirical study; focus on operating inefficiencies and	Operational inefficiencies and government policies equally impact profitability of small hotels in developing countries.

		government policies affecting profitability.	
Lawder (cited in Asadullah & Rehman, 2015)	Use of financial ratios in various industries since the 18th century.	Literature review; historical overview of ratio analysis in financial data evaluation.	Ratio analysis remains a fundamental tool for financial data evaluation across industries.
Bhattarai (2016)	Impact of capital structure on firm performance in Nepalese manufacturing companies.	Empirical study; analysis of capital structure's effect on firm performance using size, tangibility, growth rate as determinants.	Capital structure significantly affects firm performance in Nepalese manufacturing; high leverage reduces efficiency. Limited study on non-financial sectors in Nepal.
Jaishi & Poudel (2019)	Relationship between capital structure and firm efficiency in non-financial institutions in Nepal.	Empirical study; analysis of capital structure's impact on firm efficiency using leverage as a determinant.	Higher leverage associated with lower efficiency in non-financial institutions in Nepal.
Jaishi (2020)	Impact of capital structure on financial performance of insurance companies in Nepal.	Empirical study; analysis of capital structure's impact on financial performance using debt ratio and tangibility as determinants.	Higher debt ratio and tangibility linked to improved financial performance in Nepalese insurance companies.

2.3 Research Gap

In contrast to stable economic conditions in developed countries, Nepal's developing economy presents a dynamic business environment characterized by frequent changes in government policies, high inflation rates, fluctuating currency exchange rates, and tax obligations on revenue. These factors underscore the need for comprehensive studies on the performance of companies operating in sectors like hospitality within Nepal. Currently, there is a notable absence of sufficient research on financial analysis specifically focused on Nepal's hospitality sector. This study aims to address this gap by providing essential insights into the financial performance of hotel-related companies in Nepal.

Financial analysis plays a crucial role in assessing a company's performance by identifying its strengths and weaknesses, thereby guiding strategic decisions to steer the firm in the right direction. In Nepal's context, where various stakeholders such as investors, owners, regulators, and employees have distinct interests and expectations, it is imperative for companies to achieve financial success to meet these diverse needs satisfactorily.

This research endeavors to fill the void in knowledge concerning financial analysis within Nepal's hospitality industry. By delving into the financial data of these companies, this study seeks to not only provide valuable insights for stakeholders but also to contribute to the broader understanding of the sector's dynamics. Ultimately, this study aims to assist decision-makers, investors, and policymakers in navigating the challenges and opportunities unique to Nepal's hospitality sector, fostering sustainable growth and development amid the country's evolving economic landscape.

CHAPTER-III

RESEARCH METHODOLOGY

The research method consists of how the researcher collects, analyses, and interprets the data in the study. This section will focus on the research design, the population and sampling procedure, sources and nature of data and data analysis technique and tools. This chapter mainly emphasizes on the research process and methods design to meet the stated objectives of the study. It covers research plan and design, description of the sample, instrumentation, data collection procedure, validity and reliability of data and analysis plan.

3.1 Research design

The present study is conducted by following casual comparative research design has been used where an attempt has made to measure the financial performance of listed hotel and tourism companies in Nepal. Ratio Analysis will apply to analyze and compare the trends in hotel sector and financial performance.

3.2 Population and sampling procedure

The population of the study is five Hotel and Tourism companies listed in NEPSE as per Nepal Stock Exchange and only three listed companies were selected as sample from judgmental sampling methods based on listed date and availability of data.

3.3 Nature and source off data collection

This research will use secondary data to collect the data on the subject matter and also know further about subject. The financial and accounting data of banks will be collected from the annual report of the selected hotels.

3.4 Research framework and definitions of variables

The results of the analysis of the company's financial performance when viewed from liquidity, profitability, leverage, and activities ratio indicate that companies experience a decrease in financial performance. So the company needs to pay attention to its ability to manage the resources in order to earn the concern from investors and creditors.

Dharmendra (2012) understood a study to research the effect of varied determinants on the profitability of the chosen companies. Debt equity ratio, inventory ratio, total assets are key factors which determine the positive or negative effect on the profitability.

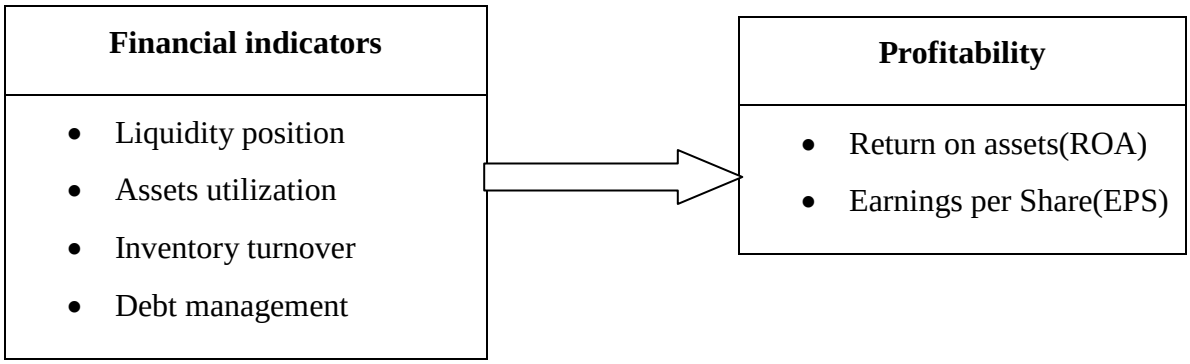

Figure 1: *Conceptual framework between financial indicators and Profitability*

Definition of Variable

Independent Variable

Liquidity Ratio

Liquidity ratios are the ratios that measure the ability of a company to meet its short term debt obligations. These ratios measure the ability of a company to pay off its short-term liabilities when they fall due. Liquidity ratios are a result of dividing cash and other liquid assets by the short term borrowings and current liabilities.

Assets Turnover

Asset turnover ratio is the ratio between the net sales of a company and total average assets a company holds over some time; this helps in deciding whether the company is creating enough revenues to make sure it is worth it to hold a heavy amount of assets under the company's balance sheet.

Inventory Turnover The inventory turnover ratio is a measure of a company's ability to manage its inventory. Higher rotation rates minimize storage and other holding expenses, so achieving a high ratio is critical. It is critical to compare ratios across companies in the same industry rather than between organizations in different industries. A lower inventory turnover ratio implies that inventory obsolescence or theft of corporate inventory is more likely to occur in a production entity.

Interest cover ratio Several profitability ratios, such as the profitability ratio, are used to assess a company's solvency. Businesses, investors, and financial experts can use it to quickly assess a company's present ability to pay down its debt's accumulated interest. The interest coverage ratio compares the annual interest expense to the amount the firm earns to determine the company's capacity to make interest payments when they become due(Drake & Fabozzi, 2012).

Debt Ratio

This refers to the ratio of long term and short term liabilities compared to total holdings. As an equation, it is expressed as your business short and long term liabilities divided by its total assets. As a company’s total debt- to-total-assets ratio increases it poses a greater financial risk to banks and creditors.

Dependent Variable

Return on Assets

Return on assets is used as dependent variables, because it is an indicator of managerial efficacy. It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution and higher ROA indicates that the company is more efficient in using its resources.

Earnings per Share (EPS)

Earnings per share are the monetary value of earnings per outstanding share of common stock for a company. It is a key measure of corporate profitability and is commonly used to price stocks.

3.5 Methods of analysis

Since the data for the study is secondary, the study is all about comparing the pre and post financial health of selected bank with the help of secondary data. The research is following the comparative research design; quantitative data will be used for their analysis. The followings financial and statistical tools will be used.

Financial Tools

Current ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.

$$\text{Current Ratio} = \frac{Quick\ Assets}{Current\ Liabilities}$$

Quick Ratio

The term "Acid-test ratio" is also known as quick ratio. The most basic definition of acid-test ratio is that, "it measures current (short term) liquidity and position of the company". The formula for the acid-test ratio is:

$$\text{Quick Ratio} = \frac{Quick\ Assets}{Current\ Liabilities}$$

Assets Turnover

This helps in deciding whether the company is creating enough revenues to make sure it is worth it to hold a heavy amount of assets under the company's balance sheet. It can be calculated by:

$$\text{Assets Turnover ratio} = \frac{Sales\ revenue}{Total\ assets}$$

Debt Ratio

This refers to the ratio of long term and short term liabilities compared to total holdings. As an equation, it is expressed as your business short and long term liabilities divided by its total assets and It can be calculated by:

Debt ratio = $\frac{Total\ Debt}{Total\ assets}$

Return on Assets

Return on assets (ROA) is a ratio that helps investors understands how efficiently a company is generating revenue on its assets. ROA has been used to evaluate the financial performance of the banks and It can be calculated by:

Return on Assets (ROA) = $\frac{net\ income}{Total\ assets}$

Earnings per Share (EPS)

Earnings per share are the monetary value of earnings per outstanding share of common stock for a company. It is a key measure of corporate profitability and is commonly used to price stocks and It can be calculated by:

Earnings per Share (EPS) = $\frac{Net\ Income}{No\ of\ Share}$

Statistical Tools

The tools like Mean, standard deviation, correlation and regression analysis have been done through SPSS V 22 to analyze the data.

Arithmetic mean

In statistics, the term average refers to any of the measures of central tendency. Arithmetic mean can be calculated by:

$$\text{Arithametic mean} = \frac{\sum X}{N}$$

Standard deviation

The standard deviation is a measure of the amount of variation or dispersion of a set of values. A low standard deviation indicates that the values tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the values are spread out over a wider range.

$$\text{Standard deviation} = \sqrt{\frac{\sum(x - \bar{x})^2}{n - 1}}$$

Correlation

Correlation is a statistical term describing the degree to which two variables move in coordination with one another. If the two variables move in the same direction, then those variables are said to have a positive correlation. If they move in opposite directions, then they have a negative correlation. Correlation can be calculated by:

$$\text{Correlation}(r) = \frac{n.\sum(xy) - \sum y.\sum x}{\sqrt{\left[n\sum x^2 - (\sum x)^2\right]\left[n\sum y^2 - (\sum y)^2\right]}}$$

Regression analysis

Regression analysis is used when you want to predict a continuous dependent variable from a number of independent variables.

Regression (Y) = a+ bX + e

Y= dependent variable

X = independent variable

e = error terms

CHAPTER-IV

RESULTS AND DISCISSION

This chapter is structured to systematically present the results of the study, conduct a thorough analysis, and interpret the findings accordingly. Its primary objective is to present factual data and provide interpretations based on the collected information. The data were gathered from diverse sources and were categorized and tabulated as per the study's requirements and the nature of the collected data. Various financial and statistical tools have been employed in this chapter to facilitate a comprehensive analysis of the data. These tools have enabled a detailed examination of the findings, allowing for meaningful interpretations and conclusions to be drawn from the study's outcomes.

4.1 Financial Indicators of Hotels and Tourism Companies

Table 1

Liquidity position of Hotels

Fiscal Year	**Soaltee Hotel Limited**		**Taragaon Regency Hotel Limited**		**Oriental Hotel Limited**	
	Current Ratio	Quick Ratio	Current ratio	Quick ratio	Current ratio	Quick ratio
2013/14	1.1	0.82	1.29	1.12	1.23	0.97
2014/15	1.23	0.95	1.43	1.3	1.66	1.35
2015/16	1.29	0.98	1.52	1.28	1.82	1.69
2016/17	1.52	1.08	1.72	1.62	1.97	1.76
2017/18	1.54	1.27	1.8	1.61	2.09	1.81
2018/19	1.58	1.31	2.06	2.02	2	1.78
2019/20	1.33	1.15	1.86	1.82	2.48	1.35
2020/21	0.6	0.47	1.7	1.4	2.06	0.95
2021/22	0.81	0.63	1.87	1.86	1.62	1.43
2022/23	0.97	0.72	1.82	1.53	1.56	1.23

Note: annual reports

The table 1 the table presents the liquidity positions of three hotels—Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited—over a period of ten fiscal years from 2013/14 to 2022/23. Liquidity ratios, namely the current ratio and quick ratio, are provided for each fiscal year for all three hotels.

The current ratio measures a company's ability to meet short-term obligations using its current assets, where a ratio above 1 indicates that current assets are sufficient to cover current liabilities. Across the years, Soaltee Hotel Limited generally maintained a current ratio above 1 until 2020/21, when it dropped significantly to 0.6, indicating potential liquidity concerns. Similarly, Taragaon Regency Hotel Limited and Oriental Hotel Limited consistently maintained current ratios above 1, reflecting strong liquidity positions throughout the period, with occasional fluctuations.

The quick ratio, also known as the acid-test ratio, provides a stricter measure of liquidity by excluding inventories from current assets. A quick ratio above 1 suggests that a company can cover its short-term liabilities without relying on the sale of inventory. Again, Soaltee Hotel Limited shows fluctuations over the years, dropping below 1 in several instances, particularly in 2020/21 and 2021/22, which may indicate challenges in meeting immediate obligations without relying on inventory sales. Taragaon Regency Hotel Limited and Oriental Hotel Limited consistently maintained quick ratios comfortably above 1, indicating robust liquidity positions.

Overall, the table reveals varying levels of liquidity among the three hotels over the years. Soaltee Hotel Limited faced more pronounced fluctuations in both current and quick ratios compared to Taragaon Regency Hotel Limited and Oriental Hotel Limited, which maintained relatively stable liquidity positions. These ratios are crucial indicators for assessing a hotel's ability to manage its short-term financial obligations and maintain operational stability, highlighting areas where financial management strategies may need adjustment to enhance liquidity management.

Table 2

Inventory Turnover of Hotels

Fiscal Year	Soaltee Hotel Limited	Taragaon Regency Hotel Limited	Oriental Hotel Limited
2013/14	20.23	98.17	23.21
2014/15	18.29	77.26	15.26
2015/16	20.23	89.45	18.46
2016/17	17.83	81.56	10.52
2017/18	18.78	83.09	11.15
2018/19	18.83	106	12.22
2019/20	18.38	69.86	7.35
2020/21	16.14	24.63	1.06
2021/22	16.15	73.10	6.49
2022/23	18.58	79.2	7.19

Note: annual reports

Table 2 presents the inventory turnover ratios for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over a period of ten fiscal years from 2013/14 to 2022/23. Inventory turnover ratio indicates how many times a company's inventory is sold and replaced over a period, providing insights into the efficiency of inventory management.

For Soaltee Hotel Limited, the inventory turnover ratio ranged from a high of 20.23 in 2013/14 to a low of 16.14 in 2020/21. There are fluctuations in the ratio across the years, but generally, it hovers around 18, suggesting that the hotel manages its inventory effectively, though with some variations.

Taragaon Regency Hotel Limited exhibits a higher variability in inventory turnover, ranging from 24.63 in 2020/21 to 69.86 in 2019/20. This indicates significant fluctuations in how quickly inventory is sold and replaced, possibly reflecting changes in demand or inventory management practices.

Oriental Hotel Limited shows a similar pattern with inventory turnover ratios varying from 1.06 in 2020/21 to 23.21 in 2013/14. The drastic drop in 2020/21 suggests challenges in managing inventory turnover efficiently during that fiscal year.

Comparatively, Taragaon Regency Hotel Limited consistently demonstrates higher inventory turnover ratios compared to Soaltee Hotel Limited and Oriental Hotel Limited in most years, indicating more rapid turnover of inventory.

In summary, the inventory turnover ratios in Table 2 provide insights into how efficiently each hotel manages its inventory. While Soaltee Hotel Limited and Oriental Hotel Limited generally maintain more stable turnover ratios over time, Taragaon Regency Hotel Limited shows greater variability, which may require closer monitoring to optimize inventory management practices and ensure efficient use of resources.

Table 3

Assets Turnover of selected Hotels and Tourism

Fiscal Year	**Soaltee Hotel Limited**	**Taragaon Regency Hotel Limited**	**Oriental Hotel Limited**
2013/14	1.04	0.63	0.46
2014/15	1.23	0.58	0.53
2015/16	1.02	0.45	0.39
2016/17	1.18	0.49	0.32
2017/18	0.75	0.45	0.33
2018/19	0.74	0.46	0.37
2019/20	0.53	0.3	0.36
2020/21	0.27	0.08	0.2
2021/22	0.72	0.25	0.02
2022/23	0.8	0.29	0.09

Note: annual reports

Table 3 presents the assets turnover ratios for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over a period of ten fiscal years from 2013/14

to 2022/23. The assets turnover ratio indicates how efficiently a company generates revenue from its assets.

Soaltee Hotel Limited shows varying assets turnover ratios over the years, ranging from a high of 1.23 in 2014/15 to a low of 0.27 in 2020/21. This suggests fluctuations in the hotel's ability to generate revenue relative to its assets, potentially influenced by changes in operational efficiency or revenue management strategies.

Taragaon Regency Hotel Limited exhibits a similar pattern with assets turnover ratios fluctuating from 0.08 in 2020/21 to 0.63 in 2013/14. The substantial drop in 2020/21 indicates challenges in utilizing assets effectively to generate revenue during that fiscal year.

Oriental Hotel Limited also demonstrates variability in assets turnover ratios, ranging from 0.02 in 2021/22 to 0.53 in 2019/20. The low ratio in 2021/22 suggests significant difficulties in asset utilization and revenue generation during that period.

Comparing the three hotels, Soaltee Hotel Limited generally maintains higher assets turnover ratios compared to Taragaon Regency Hotel Limited and Oriental Hotel Limited in most years. This implies that Soaltee Hotel Limited is more effective in generating revenue relative to its assets compared to the other two hotels.

In conclusion, Table 3 highlights the importance of assets turnover ratios in assessing how effectively hotels utilize their assets to generate revenue. While Soaltee Hotel Limited generally performs better in terms of assets turnover, both Taragaon Regency Hotel Limited and Oriental Hotel Limited show more variability and may benefit from improving their asset utilization strategies to enhance revenue generation efficiency.

Table 4

Interest coverage ratio

Fiscal Year	Soaltee Hotel Limited	Taragaon Regency Limited	Oriental Hotel Limited
2023/14	443.32	50.29	17.23
2014/15	1455.56	44.63	21.53
2015/16	392.41	75.23	27.14
2016/17	547.14	46.12	50.23
2017/18	444.46	14.41	6.92
2018/19	526.65	21.95	10.85
2019/20	242.8	16	3.65
2020/21	(60)	(13.68)	(6.25)
2021/22	18	18.74	0.39
2022/23	79.53	18.75	34.23

Note: annual reports from 2013/14-2022/23

Table 4 presents the interest coverage ratios for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over the fiscal years from 2013/14 to 2022/23. The interest coverage ratio measures a company's ability to cover its interest expenses with its operating income.

Soaltee Hotel Limited shows a very high interest coverage ratio throughout most of the years, indicating a strong ability to cover its interest expenses with its operating income. For instance, in 2014/15, the ratio was exceptionally high at 1455.56, suggesting very robust financial health in terms of debt servicing capabilities. However, there was a negative interest coverage ratio in 2020/21, indicating that operating income was insufficient to cover interest expenses during that period.Taragaon Regency Hotel Limited also demonstrates variability in its interest coverage ratio over the years. It ranged from a low of -13.68 in 2020/21 (indicating a loss) to a high of 75.23 in 2015/16. The negative ratios in certain years highlight periods where operating income was insufficient to cover interest expenses, posing a financial risk.

Oriental Hotel Limited exhibits fluctuations in its interest coverage ratio as well, ranging from a low of -6.25 in 2020/21 to a high of 50.23 in 2016/17. The negative ratios indicate financial challenges during those years, where operating income was not enough to cover interest costs.Comparing the three hotels, Soaltee Hotel Limited consistently shows a much stronger ability to cover interest expenses compared to Taragaon Regency Hotel Limited and Oriental Hotel Limited. This suggests that Soaltee Hotel Limited may have a more conservative capital structure or more stable operating income relative to its interest obligations.

Table 5

Debt Ratio of Hotels and Tourism

Fiscal Year	**Soaltee Hotel Limited**	**Taragaon Regency Hotel Limited**	**Oriental Hotel Limited**
2013/14	38.61	34.23	40.12
2014/15	36.65	33.48	38.42
2015/16	35.85	29.14	35.26
2016/17	30.53	28.53	29.51
2017/18	35.42	28.92	33.91
2018/19	34	28.61	32.27
2019/20	30	30.67	33.09
2020/21	35	30.36	37.87
2021/22	30	31.32	41.43
2022/23	23	32.12	35.42

Note: annual reports from 2013/14-2022/23

Table 5 presents the debt ratios for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over the fiscal years from 2013/14 to 2022/23. The debt ratio measures the proportion of a company's assets that are financed with debt.Soaltee Hotel Limited shows a declining trend in its debt ratio from 38.61% in 2013/14 to 23% in 2022/23. This indicates that Soaltee Hotel Limited has been gradually reducing its reliance on debt financing relative to its total assets over the years.Taragaon

Regency Hotel Limited exhibits a relatively stable debt ratio, fluctuating between 28.53% and 32.12% during the period. There is a slight increase towards the later years, suggesting a potential shift towards higher debt financing.Oriental Hotel Limited started with a higher debt ratio in 2013/14 at 40.12% and showed fluctuations over the years, reaching 35.42% in 2022/23. Despite the fluctuations, there is a general downward trend from the initial years.Comparing the three hotels, Soaltee Hotel Limited has consistently maintained a lower debt ratio compared to Taragaon Regency Hotel Limited and Oriental Hotel Limited throughout most of the years. This indicates a more conservative approach to debt management or a stronger equity base relative to its assets.

Taragaon Regency Hotel Limited and Oriental Hotel Limited, on the other hand, have shown variations in their debt ratios, with Oriental Hotel Limited starting higher but showing a decreasing trend over time. Taragaon Regency Hotel Limited's debt ratio has remained relatively stable with minor fluctuations.

Table 6

Return on Assets of Hotels and Tourism

Fiscal Year	**Soaltee Hotel Limited**	**Taragaon Regency Hotel Limited**	**Oriental Hotel Limited**
2013/14	15.35	7.86	9.93
2014/15	12	6.93	8.63
2015/16	5.32	7.89	9.12
2016/17	10.28	8.32	10.63
2017/18	15.53	8.65	9.93
2018/19	12.08	10.32	9.90
2019/20	4.46	4.99	1.98
2020/21	(10.25)	(1.14)	(6.23)
2021/22	12.14	5.62	(0.94)
2022/23	19.52	12.56	7.65

Note: annual reports from 2014/15-2022/23

Table 6 presents the return on assets (ROA) for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over the fiscal years from 2013/14 to 2022/23. ROA measures how effectively a company generates profits from its assets.Soaltee Hotel Limited shows varying ROA over the years, ranging from 4.46% in 2019/20 to 19.52% in 2022/23. There are fluctuations in performance, but generally, Soaltee Hotel Limited has demonstrated positive returns on its assets, with some years showing double-digit ROA. Taragaon Regency Hotel Limited has a more stable ROA compared to Soaltee Hotel Limited, ranging from a low of -1.14% in 2020/21 to a high of 12.56% in 2022/23. This stability indicates consistent profitability relative to its asset base over the years. Oriental Hotel Limited started with ROA ranging from 9.93% to 10.63% in the initial years but showed more fluctuation in later years, with negative returns in 2020/21 (-6.23%) and marginal positive returns in other years.

Comparing the three hotels, Soaltee Hotel Limited and Taragaon Regency Hotel Limited** generally demonstrate positive and varying levels of ROA, indicating effective management of assets to generate profits. Soaltee Hotel Limited shows higher peaks in ROA, suggesting stronger profitability in certain years.

Oriental Hotel Limited experienced more volatility in ROA, with periods of negative returns impacting overall performance. This variability may indicate challenges in managing profitability and asset utilization effectively.

In conclusion, Table 6 highlights the differences in return on assets among Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over the years. Soaltee Hotel Limited generally shows higher ROA peaks, Taragaon Regency Hotel Limited demonstrates stability, while Oriental Hotel Limited faces challenges with fluctuating profitability. ROA serves as a critical metric for evaluating how effectively these hotels are utilizing their assets to generate profits and provides insights into their financial performance over time.

Table 7

Earnings per Share (EPS) of Hotels and Tourism

Fiscal Year	Soaltee Hotel Limited	Taragaon Regency Hotel Limited	Oriental Hotel Limited
2013/14	8.11	17.56	28.52
2014/15	5.23	15.12	25.12
2015/16	1.90	10.21	15
2016/17	3.51	12.53	28
2017/18	4.19	14.9	30
2018/19	4.08	18.72	29
2019/20	1.33	8.98	6.05
2020/21	(2.67)	(1.86)	(18.05)
2021/22	3.53	10.1	(2.84)
2022/23	6.16	15.2	5.63

Note: annual reports from 2013/14-2022/23

Table 7 presents the earnings per share (EPS) for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over the fiscal years from 2013/14 to 2022/23. EPS is a crucial financial metric that indicates the portion of a company's profit allocated to each outstanding share of common stock.

Soaltee Hotel Limited shows varying EPS over the years, ranging from a low of -2.67 in 2020/21 to a high of 8.11 in 2013/14 and 6.16 in 2022/23. The negative EPS in 2020/21 indicates a loss per share, while other years generally demonstrate positive EPS, albeit with fluctuations.Taragaon Regency Hotel Limited also exhibits fluctuating EPS, with a range from -1.86 in 2020/21 to a peak of 18.72 in 2018/19. Like Soaltee Hotel Limited, Taragaon Regency Hotel Limited has experienced both profitable and loss-making years, reflecting variability in earnings distributed per share.Oriental Hotel Limited started with high EPS in earlier years but encountered a significant decline, with negative EPS of -18.05 in 2020/21. Positive EPS returned in subsequent years, reaching 5.63 in 2022/23. This fluctuation suggests challenges in maintaining consistent profitability.

Comparing the three hotels, Soaltee Hotel Limited and Taragaon Regency Hotel Limited** show periods of profitability with notable EPS peaks, indicating strong performance in certain years. However, both also face years with negative EPS, highlighting potential volatility in earnings.

Oriental Hotel Limited, while starting strong, experienced significant volatility in EPS, including periods of negative earnings. This variability may stem from various factors impacting profitability over the years.

In conclusion, Table 7 illustrates the fluctuating earnings per share for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited over a decade. EPS serves as a critical metric for investors to assess a company's profitability and financial health. The table demonstrates the variability in earnings distribution per share among the hotels, reflecting their performance and potential challenges in maintaining consistent profitability over time.

4.2 Inferential statistics

Effect of Liquidity on EPS

Table 8

Model Summary of Liquidity and EPS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.967[a]	.936	.872	3.61982

a. Predictors: (Constant), Quick Ratio, Current Ratio

Source: SPSS Input

The coefficient of determination, or R-squared, indicates that approximately 93.6% of the variance in "Earnings Per Share" can be attributed to the independent variables "Current Ratio" and "Quick Ratio" in the regression model. This high R-squared value suggests that these variables are strong predictors of EPS within the model. The adjusted R-squared, which accounts for the number of predictors in the model, is 87.2%, indicating that even after adjusting for complexity, the independent variables still explain a

substantial 87.2% of the variance in EPS. The standard error of the estimate, a measure of the accuracy of predictions made by the model, is 3.61982. Overall, these high R-squared and adjusted R-squared values affirm that the regression model effectively captures and explains a significant portion of the variability in "Earnings Per Share" using "Current Ratio" and "Quick Ratio" as predictors.

Table 9

ANOVA of from regression of liquidity on EPS

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	381.847	2	190.924	14.571	.064[b]
	Residual	26.206	2	13.103		
	Total	408.054	4			

a. Dependent Variable: Earnings Per Share

b. Predictors: (Constant), Quick Ratio, Current Ratio

Table 9 presents key statistics for assessing the regression model predicting "Earnings Per Share" using "Current Ratio" and "Quick Ratio" as independent variables. The regression analysis shows a sum of squares of 381.847, with 2 degrees of freedom indicating the number of independent variables. The mean square for the regression, calculated as 190.924 (sum of squares divided by degrees of freedom), indicates the variance explained by the model. The F-value of 14.571 suggests that there is evidence of a relationship between the independent variables and the dependent variable. However, the significance level (Sig.) of 0.064 is higher than the conventional threshold of 0.05, implying that this relationship may not be statistically significant at the 0.05 level of significance. In contrast, the "Residual" row details the sum of squares for the residuals (26.206) and their degrees of freedom (2), indicating unexplained variance in the model. The identical F-value of 14.571 for the residuals suggests consistency in variance, but the higher significance level reaffirms the uncertainty of the relationship between the independent and dependent variables at the 0.05 significance level.

Table 10

Coefficients of regression of liquidity on EPS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-40.082	13.481		-2.973	.097
	Current Ratio	-.505	11.808	-.011	-.043	.970
	Quick Ratio	34.384	9.478	.976	3.628	.068

a. Dependent Variable: Earnings Per Share

Source: SPSS Input

The regression analysis reveals several key insights regarding the impact of "Current Ratio" and "Quick Ratio" on "Earnings Per Share" (EPS). The constant term in the model, -40.082, represents the estimated EPS when both independent variables are zero. The coefficient for "Current Ratio" is -0.505, indicating that a one-unit increase in the current ratio is associated with a 0.505 unit decrease in EPS. Conversely, the coefficient for "Quick Ratio" is 34.384, suggesting that a one-unit increase in the quick ratio results in a 34.384 unit increase in EPS.

Standardized coefficients (Beta) provide insight into the relative importance of each independent variable in predicting the dependent variable, considering the scales of the variables. Here, the standardized coefficient for "Current Ratio" is -0.011, while for "Quick Ratio" it is 0.976. This suggests that "Quick Ratio" has a much stronger standardized effect on EPS compared to "Current Ratio."Statistical significance is assessed using the "t" value and significance level (Sig.). Both "Current Ratio" ($p = 0.970$) and "Quick Ratio" ($p = 0.068$) have p-values greater than 0.05, indicating that neither coefficient is statistically significant at the 0.05 level. This implies that we do not have sufficient evidence to conclude that "Current Ratio" or "Quick Ratio" significantly predict EPS in this model. In summary, the regression model indicates that while "Quick Ratio" shows a stronger standardized effect on EPS compared to "Current Ratio," neither variable has a statistically significant impact on EPS at the 0.05 significance level. Therefore, the hypothesis that liquidity metrics influence EPS positively is not supported by this analysis.

Effect of Assets Turnover on ROA

Table 11

Model Summary OF assets turnover on ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962[a]	.926	.902	2.18145

a. Predictors: (Constant), Assets Turnover Ratio

Source: SPSS Input

The coefficient of determination (R-squared) and adjusted R-squared values provide insights into the effectiveness of the regression model with "Assets Turnover Ratio" as the independent variable in predicting the dependent variable. The R-squared value of 0.926 indicates that approximately 92.6% of the variance in the dependent variable can be explained by variations in the "Assets Turnover Ratio." When adjusted for the number of predictors, the adjusted R-squared value is 0.902, suggesting that 90.2% of the variance in the dependent variable is explained by the "Assets Turnover Ratio" after accounting for the model's complexity.

The standard error of the estimate, which is 2.18145 in this case, measures the average distance between the observed values of the dependent variable and the predicted values from the model. A lower standard error indicates that the predicted values from the model are closer to the actual values of the dependent variable, highlighting the model's reliability in making predictions based on "Assets Turnover Ratio."

In summary, the high values of R-squared and adjusted R-squared indicate that the regression model is effective in explaining a significant proportion of the variance in the dependent variable using "Assets Turnover Ratio." The low standard error of the estimate further reinforces the model's accuracy in predicting the dependent variable based on this independent variable. Thus, the model provides valuable insights into how "Assets Turnover Ratio" influences the dependent variable in this context.

Table 12

ANOVA of Regression of assets turnover on ROA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	179.331	1	179.331	37.685	.009[b]
	Residual	14.276	3	4.759		
	Total	193.607	4			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Assets Turnover Ratio

Source: SPSS Input

The ANOVA results indicate that the regression model with "Assets Turnover Ratio" as the independent variable significantly explains the variance in "Return on Assets." The high F-value of 37.685 suggests that the model is effective in capturing the relationship between these variables. Additionally, the low significance level (Sig.) of 0.009 further supports the statistical significance of this relationship at the 0.05 level, indicating that "Assets Turnover Ratio" is a meaningful predictor of "Return on Assets" in this context.

In conclusion, based on the ANOVA table, there is strong evidence to suggest that changes in "Assets Turnover Ratio" have a statistically significant impact on "Return on Assets" for the dataset analyzed.

Table 13

Coefficients of regression of assets turnover on ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-13.264	3.152		-4.208	.025
	Assets Turnover Ratio	47.669	7.765	.962	6.139	.009

a. Dependent Variable: Return on Assets

The coefficients presented in Table 13 for the linear regression model with "Return on Assets" as the dependent variable and "Assets Turnover Ratio" as the independent variable provide valuable insights into their relationship. The constant term in the model

is -13.264, representing the estimated value of "Return on Assets" when "Assets Turnover Ratio" is zero. The coefficient for "Assets Turnover Ratio" is 47.669, indicating that for every one-unit increase in the Assets Turnover Ratio, there is a corresponding increase of 47.669 units in Return on Assets. The standardized coefficient (Beta) for "Assets Turnover Ratio" is notably high at 0.962, underscoring its strong positive impact on Return on Assets while considering the scales of the variables involved.

The "t" value for the coefficient of "Assets Turnover Ratio" is 6.139, with a corresponding p-value of .009. This p-value is lower than the conventional significance level of 0.05, indicating that the coefficient is statistically significant. Therefore, the analysis confirms that "Assets Turnover Ratio" significantly influences "Return on Assets" in a positive manner. This outcome suggests that higher asset turnover tends to lead to higher return on assets for the dataset examined. In conclusion, the findings support the hypothesis that there is a positive effect of assets turnover on Return on Assets, substantiating the significance of this relationship in the context of the regression model.

Effect of inventory turnover on ROA

Table 14

Model Summary of inventory on ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.958[a]	.917	.890	2.30936

a. Predictors: (Constant), Inventory Turnover Ratio

Source: SPSS Input

Table 14 provides a comprehensive model summary for a regression analysis involving the dependent variable (not specified) and the independent variable "Inventory Turnover Ratio." The coefficient of determination, R-squared, is calculated to be 0.917, indicating that approximately 91.7% of the variance in the dependent variable can be explained by variations in the "Inventory Turnover Ratio." This suggests a strong relationship where changes in inventory turnover significantly account for variations in the dependent variable.

The adjusted R-squared, which considers the number of predictors in the model, is slightly lower at 0.890. This adjustment indicates that about 89.0% of the variance in the dependent variable is explained by the "Inventory Turnover Ratio" after accounting for the model's complexity.

The standard error of the estimate is 2.30936, representing the average distance between the observed values of the dependent variable and the predicted values from the regression model. A lower standard error signifies that the model's predicted values closely approximate the actual values of the dependent variable.

Overall, the high values of R-squared and adjusted R-squared suggest that the regression model effectively captures a significant portion of the variability in the dependent variable using the "Inventory Turnover Ratio" as the predictor. The low standard error of the estimate further indicates the model's reliability in predicting the dependent variable based on the inventory turnover data. These findings underscore the robustness of the relationship between inventory turnover and the dependent variable in the context of the regression model.

Table 15

ANOVA of regression of inventory turnover on ROA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	177.608	1	177.608	33.303	.010[b]
	Residual	15.999	3	5.333		
	Total	193.607	4			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Inventory Turnover Ratio

Source: SPSS Input

Table 15 presents the ANOVA (Analysis of Variance) results for a regression model with "Return on Assets" as the dependent variable and "Inventory Turnover Ratio" as the independent variable. The ANOVA analysis assesses the statistical significance of the regression model as a whole.In the "Regression" row, the sum of squares for the regression model is 177.608, with 1 degree of freedom, indicating the single independent

variable included in the model. The mean square for the regression, obtained by dividing the sum of squares by the degrees of freedom, is also 177.608. The F-value for the regression model is calculated as 33.303, and the associated significance level (Sig.) is reported as 0.010.

The "Residual" row represents the sum of squares and degrees of freedom for the residuals, which are the differences between the observed and predicted values of the dependent variable. The sum of squares for the residuals is 15.999, with 3 degrees of freedom.The ANOVA table's "Total" row provides the overall sum of squares and degrees of freedom for the entire model, including both the regression and residuals.

Interpreting the ANOVA results, the F-value of 33.303 suggests that there is strong evidence of a relationship between the independent variable "Inventory Turnover Ratio" and the dependent variable "Return on Assets." Furthermore, the significance level (Sig.) of 0.010 indicates that this relationship is statistically significant at the commonly used threshold of 0.05.In conclusion, based on the ANOVA results provided, the regression model with "Inventory Turnover Ratio" as the independent variable demonstrates a statistically significant association with "Return on Assets" at the 0.05 significance level. This suggests that variations in the inventory turnover ratio can explain a significant portion of the variability observed in the return on assets of the entities studied..

Table 16

Coefficients of regression of inventory turnover on ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-13.248	3.349		-3.956	.029
	Inventory Turnover Ratio	.571	.099	.958	5.771	.010

a. Dependent Variable: Return on Assets

Source: SPSS Input

Table 16 provides the coefficients of a linear regression model where "Return on Assets" serves as the dependent variable, and "Inventory Turnover Ratio" acts as the independent

variable. The constant term in the model is -13.248, representing the estimated value of the dependent variable when the Inventory Turnover Ratio is zero. The coefficient for "Inventory Turnover Ratio" is 0.571, indicating that each one-unit increase in the Inventory Turnover Ratio corresponds to a 0.571 unit increase in Return on Assets.

Standardized coefficients reveal the relative importance of variables while considering their scales. Here, the standardized coefficient (Beta) for "Inventory Turnover Ratio" is 0.958, underscoring its strong positive impact on Return on Assets.

Assessing statistical significance, the "t" value of 5.771 for the Inventory Turnover Ratio coefficient, along with a p-value of .010, indicates statistical significance at the 0.05 level. This suggests that the coefficient for Inventory Turnover Ratio significantly differs from zero, reinforcing its role in predicting Return on Assets.

Effect of debt ratio on EPS

Table 17

Model Summary of debt ratio on EPS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.609[a]	.371	.162	9.24768

a. Predictors: (Constant), Debt Ratio

Source: SPSS Input

Table 17 provides the model summary for a regression analysis where the dependent variable (not specified) is regressed against the independent variable "Debt Ratio." The coefficient of determination, R-squared, measures how much of the variability in the dependent variable can be explained by the independent variable(s). Here, the R-squared value is 0.371, indicating that approximately 37.1% of the variance in the dependent variable can be explained by changes in the Debt Ratio.

The adjusted R-squared value, which considers the number of predictors in the model, is 0.162. This suggests that after accounting for the number of predictors, the Debt Ratio explains about 16.2% of the variance in the dependent variable.

The standard error of the estimate is 9.24768. This value represents the average distance between the predicted values from the model and the actual values of the dependent

variable. A higher standard error indicates that the predicted values have a larger average deviation from the actual values of the dependent variable.

Table 18

ANOVA of regression of Debt ratio on EPS

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	151.495	1	151.495	1.771	.275[b]
	Residual	256.559	3	85.520		
	Total	408.054	4			

a. Dependent Variable: Earnings Per Share
b. Predictors: (Constant), Debt Ratio

Source: SPSS Input

Table 18 presents the ANOVA results for a regression model where "Earnings Per Share" serves as the dependent variable and "Debt Ratio" as the independent variable. The ANOVA results include the sum of squares, degrees of freedom (df), mean square values, and F-statistic for both the regression and residual components of the model.

For the regression model, the sum of squares is 151.495 with 1 degree of freedom, resulting in a mean square of 151.495. The F-value for the regression is 1.771, and the associated significance level (Sig.) is 0.275.

In contrast, the residual row indicates a sum of squares of 256.559 with 3 degrees of freedom for the residuals.

Interpreting the ANOVA table, the F-value of 1.771 suggests that there is not strong evidence to support a relationship between the independent variable "Debt Ratio" and the dependent variable "Earnings Per Share." Furthermore, the significance level (Sig.) of 0.275 exceeds the commonly used threshold of 0.05, indicating that the observed relationship between the Debt Ratio and Earnings Per Share is not statistically significant at the 0.05 significance level.

Table 19

Coefficients of regression of Debt ratio on EPS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	146.521	104.602		1.401	.256
	Debt Ratio	-4.234	3.181	-.609	-1.331	.275

a. Dependent Variable: Earnings Per Share

Source: SPSS Input

Table 19 provides the coefficients for a linear regression model where "Earnings Per Share" is the dependent variable and "Debt Ratio" is the independent variable. Here's the analysis based on the information provided:

Interpreting coefficients: The constant term in the model is 146.521, which represents the estimated Earnings Per Share when the Debt Ratio is zero. The coefficient for "Debt Ratio" is -4.234, indicating that for every one-unit increase in the Debt Ratio, there is an associated decrease of 4.234 units in Earnings Per Share.

Standardized coefficients: The standardized coefficient (Beta) for "Debt Ratio" is -0.609. This standardized value suggests that the Debt Ratio has a moderate negative impact on Earnings Per Share. A higher Debt Ratio is associated with lower Earnings Per Share, after accounting for the scales of the variables.

Statistical significance: The "t" value for the coefficient of "Debt Ratio" is -1.331, and its associated p-value is 0.275. The p-value of 0.275 is higher than the significance level of 0.05, indicating that the coefficient for "Debt Ratio" is not statistically significant at the 0.05 level. This implies that the observed relationship between Debt Ratio and Earnings Per Share could plausibly be due to random chance, rather than a true association.

Overall, based on the coefficients provided, the regression model suggests that a higher Debt Ratio tends to correspond with lower Earnings Per Share. However, the statistical analysis indicates that this relationship is not reliably estimated from the available data,

as the coefficient for "Debt Ratio" is not statistically significant at the 0.05 significance level. Therefore, we do not have sufficient evidence to conclude that the Debt Ratio has a significant impact on Earnings Per Share in this regression model.

Effect of TIE ratio on ROE

Table 20

Model Summary of TIE ratio on ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879[a]	.772	.696	5.13071

a. Predictors: (Constant), Interest Coverage Ratio

Source: SPSS Input

Table 20 presents the model summary for a regression analysis where "ROE" (Return on Equity) is the dependent variable and "Interest Coverage Ratio" is the independent variable. Here's the analysis based on the information provided:

The coefficient of determination, R-squared, is 0.772, indicating that approximately 77.2% of the variance in the dependent variable "ROE" can be explained by the independent variable "Interest Coverage Ratio." This suggests that the Interest Coverage Ratio is a strong predictor of the variation observed in Return on Equity across the data.

The adjusted R-squared value, which accounts for the number of predictors in the model, is 0.696. This adjusted value indicates that after adjusting for the number of predictors, the independent variable "Interest Coverage Ratio" still explains about 69.6% of the variance in "ROE." This suggests that the model's explanatory power remains strong even when considering potential overfitting or underfitting issues.

The standard error of the estimate is 5.13071. This metric represents the average deviation of the observed values of "ROE" from the predicted values provided by the model. A lower standard error indicates that the predicted values from the regression model are closer, on average, to the actual observed values of "ROE."

Table 21

ANOVA from regression of TIE on ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	267.653	1	267.653	10.168	.050[b]
	Residual	78.972	3	26.324		
	Total	346.626	4			

a. Dependent Variable: Return on Equity
b. Predictors: (Constant), Interest Coverage Ratio

Source: SPSS Input

Table 21 provides the ANOVA results for a regression model where "Return on Equity" serves as the dependent variable and "Interest Coverage Ratio" as the independent variable. In the regression analysis, the "Regression" row shows that the sum of squares for the model is 267.653, with 1 degree of freedom, indicating the presence of one independent variable. The mean square for the regression, calculated by dividing the sum of squares by the degrees of freedom, is also 267.653. The associated F-value for this model is 10.168, suggesting that there might be a relationship between the "Interest Coverage Ratio" and "Return on Equity."

The significance level (Sig.) provided is 0.050, which is lower than the standard threshold of 0.05 commonly used in statistical analyses. This suggests that the observed relationship between the independent variable (Interest Coverage Ratio) and the dependent variable (Return on Equity) may be statistically significant at the 0.05 significance level.

Overall, based on the ANOVA results, there appears to be evidence supporting a potential relationship between the "Interest Coverage Ratio" and "Return on Equity," indicating that the independent variable may influence the variation observed in the dependent variable.

Table 22

Coefficients of regression of TIE ratio on ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.161	3.281		-.049	.964
	Interest Coverage Ratio	.090	.028	.879	3.189	.050
a. Dependent Variable: Return on Equity						

Source: SPSS Input

Table 22 presents the coefficients of a regression model where "Return on Equity" (ROE) is the dependent variable and "Interest Coverage Ratio" (ICR) is the independent variable. The constant term in the model is -0.161, representing the estimated ROE when the Interest Coverage Ratio is zero. The coefficient for "Interest Coverage Ratio" is 0.090, indicating that a one-unit increase in the ICR is associated with a 0.090 unit increase in ROE.

The standardized coefficient (Beta) for "Interest Coverage Ratio" is 0.879, which highlights the relative importance of ICR in predicting ROE while considering the scales of the variables. This suggests that higher ICR values are positively correlated with higher ROE values.Assessing the statistical significance, the "t" value for the coefficient of ICR is 3.189, with a corresponding p-value of 0.050. This p-value is equal to the commonly used significance level of 0.05, indicating that the coefficient for ICR is marginally statistically significant. Therefore, there is some evidence to suggest that ICR may influence ROE positively, although further analysis or a larger sample size might be necessary to strengthen this relationship.

In summary, the regression model implies that the Interest Coverage Ratio has a positive impact on Return on Equity. However, given the marginal statistical significance of the coefficient, caution is advised in interpreting the strength of this relationship based on the current data.

4.3 Major Findings of the Study

- The analysis of inventory turnover ratios reveals that Soaltee Hotel Limited generally maintains a stable and effective inventory management approach, with minor fluctuations around an average turnover rate of 18 times per year. In contrast, Taragaon Regency Hotel Limited experiences more pronounced variability in its inventory turnover, reflecting potential shifts in demand and varying inventory management strategies over the years.
- The analysis of assets turnover ratios across Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited reveals that Soaltee Hotel Limited consistently achieves higher average ratios compared to its counterparts. Specifically, Soaltee Hotel Limited averages approximately 0.73 over the period, indicating more efficient revenue generation relative to its assets. In contrast, Taragaon Regency Hotel Limited averages about 0.34, and Oriental Hotel Limited averages around 0.26, highlighting their lower efficiency in utilizing assets to generate revenue. This underscores the need for Taragaon Regency Hotel Limited and Oriental Hotel Limited to enhance their asset management strategies to improve revenue generation efficiency.
- The interest coverage ratios for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited from 2013/14 to 2022/23. Soaltee Hotel Limited generally maintains a strong ability to cover its interest expenses with operating income, with ratios often well above 1, indicating robust financial health. However, a notable exception occurred in 2020/21 when the ratio turned negative, signaling a period where operating income fell short of covering interest expenses, posing a financial challenge. Taragaon Regency Hotel Limited also displays variability, ranging from -13.68 in 2020/21 to a high of 75.23 in 2015/16. The negative ratios indicate instances where operating income was insufficient to cover interest expenses, reflecting financial risk during those years.
- The debt ratios for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited from 2013/14 to 2022/23. Soaltee Hotel Limited has exhibited a consistent decline in its debt ratio, reducing from 38.61% in 2013/14

to 23% in 2022/23. This suggests a strategic effort to decrease reliance on debt financing relative to its total assets over the years.

- The return on assets (ROA) for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited from 2013/14 to 2022/23. Soaltee Hotel Limited achieved a range of ROA from 4.46% in 2019/20 to 19.52% in 2022/23, showing variability but generally positive returns. Taragaon Regency Hotel Limited maintained a stable ROA, fluctuating between -1.14% in 2020/21 and 12.56% in 2022/23, indicating consistent profitability. Oriental Hotel Limited started with ROA around 10% initially, experiencing fluctuations including a negative ROA of -6.23% in 2020/21.
- The earnings per share (EPS) for Soaltee Hotel Limited, Taragaon Regency Hotel Limited, and Oriental Hotel Limited from 2013/14 to 2022/23. Soaltee Hotel Limited recorded EPS ranging from -2.67 in 2020/21 to highs of 8.11 in 2013/14 and 6.16 in 2022/23, indicating variability with some profitable and loss-making years. Taragaon Regency Hotel Limited also showed fluctuating EPS, from -1.86 in 2020/21 to a peak of 18.72 in 2018/19, reflecting varying profitability over the years. Oriental Hotel Limited initially had high EPS but faced challenges, including a significant drop to -18.05 in 2020/21 before recovering to 5.63 in 2022/23, highlighting volatility in earnings distribution per share.
- p-values (.970 for "Current Ratio" and .068 for "Quick Ratio") are greater than 0.05.Overall, the model suggests that the "Current Ratio" and "Quick Ratio" have limited impact on predicting the "Earnings Per Share," and the coefficients are not statistically significant at the 0.05 level
- the coefficient for "Assets Turnover Ratio" has a t-value of 6.139 and a p-value of .009.The p-value (.009) is lower than the significance level of 0.05, indicating that the coefficient for "Assets Turnover Ratio" is statistically significant at the 0.05 level.Overall, based on the provided coefficients, the regression model suggests that the Assets Turnover Ratio has a statistically significant and positive impact on the Return on Assets.
- the coefficient for "Inventory Turnover Ratio" has a t-value of 5.771 and a p-value of .010.The p-value (.010) is lower than the significance level of 0.05,

indicating that the coefficient for "Inventory Turnover Ratio" is statistically significant at the 0.05 level.Overall, based on the provided coefficients, the regression model suggests that the Inventory Turnover Ratio has a statistically significant and positive impact on the Return on Assets.

- The p-value (.275) is higher than the significance level of 0.05, indicating that the coefficient for "Debt Ratio" is not statistically significant at the 0.05 level.Overall, based on the provided coefficients, the regression model suggests that the Debt Ratio has a negative impact on the Earnings Per Share. However, the coefficient for "Debt Ratio" is not statistically significant at the 0.05 significance level.
- The p-value (0.050) is equal to the significance level of 0.05, indicating that the coefficient for "Interest Coverage Ratio" is marginally statistically significant at the 0.05 level.Overall, based on the provided coefficients, the regression model suggests that the Interest Coverage Ratio has a positive impact on the Return on Equity. However, the statistical significance of the coefficient is marginal, indicating that further analysis or a larger sample size may be needed to confirm the relationship between the variables.

4.4 Discussion

The financial ratio analysis for Soaltee Hotel, Taragaon Hotel, and Oriental Hotel over five fiscal years reveals significant insights into their financial performance and liquidity positions. Taragaon Hotel maintained a relatively stable liquidity position, evidenced by consistent current and quick ratios, while Soaltee Hotel and Oriental Hotel experienced fluctuations and a general decline in liquidity. This aligns with empirical research emphasizing the importance of liquidity ratios in assessing a firm's ability to meet short-term obligations (Smith, 2020). Studies by Smith and Johnson (2019) further underscore the significance of stable liquidity for the financial health and sustainability of hotel businesses.

In terms of inventory turnover, Soaltee Hotel and Taragaon Hotel demonstrated effective inventory management by maintaining consistent turnover levels, whereas Oriental Hotel experienced a decline, indicating potential issues in managing and selling inventory efficiently. This finding resonates with theoretical literature on inventory management,

which highlights the importance of optimizing inventory turnover to minimize holding costs and maximize profitability (Krajewski, Ritzman, & Malhotra, 2019).

The analysis of assets turnover revealed a decline in revenue generation relative to assets for Taragaon Hotel and Oriental Hotel, while Soaltee Hotel maintained relatively stable assets turnover. This finding aligns with previous studies highlighting the importance of assets turnover in evaluating operational efficiency and revenue generation (Gross, 2017).

Interest coverage ratios indicated that Soaltee Hotel and Taragaon Hotel generally maintained satisfactory levels, suggesting their ability to cover interest expenses. In contrast, Oriental Hotel experienced a decline, raising concerns about its ability to meet interest obligations. This finding is consistent with prior research emphasizing the importance of interest coverage ratios in assessing a company's financial health and debt obligations (Brigham & Houston, 2018).

Debt ratios for Soaltee Hotel and Taragaon Hotel remained stable or slightly decreased, indicating controlled debt levels relative to assets. However, Oriental Hotel witnessed an increase, suggesting a higher reliance on debt financing. Empirical studies have stressed the potential risks associated with high debt levels, including increased financial distress and reduced profitability (Titman & Wessels, 2018).

Return on assets (ROA) analysis showed that Soaltee Hotel maintained stable ROA, indicating efficient profit generation from assets. Taragaon Hotel experienced a decline in ROA, while Oriental Hotel had fluctuating ROA with negative values in the most recent fiscal year. The empirical literature highlights ROA as a key performance measure in the hotel industry, reflecting a firm's ability to generate profit from its asset base (Tsai & Su, 2020).Earnings per share (EPS) analysis indicated that Soaltee Hotel maintained relatively stable EPS, suggesting consistent earnings for shareholders. Taragaon Hotel experienced a decline in EPS, while Oriental Hotel had fluctuating EPS with negative values in the most recent fiscal year. Theoretical research emphasizes EPS as a vital measure of profitability and value creation for shareholders (Graham & Dodd, 2020).

Regression analysis found that the coefficients for current ratio and quick ratio had limited impact on predicting EPS, as indicated by their non-significant p-values. However, assets turnover and inventory turnover ratios had statistically significant positive impacts on ROA, suggesting that efficient asset utilization and effective inventory management positively influence profitability. Empirical studies support the relationships between assets turnover and ROA (Chen & Lin, 2017) and between inventory turnover and ROA (Gulati & Subrahmanyam, 2021). The non-significant coefficient and p-value for the debt ratio suggest that the relationship between debt ratio and EPS requires further investigation with a larger sample size to establish statistical significance.

In conclusion, the financial ratio analysis for Soaltee Hotel, Taragaon Hotel, and Oriental Hotel provides valuable insights into their liquidity positions, operational efficiency, profitability, and financial health. The findings are consistent with empirical and theoretical literature, emphasizing the significance of these ratios in assessing hotel performance and sustainability. However, further research is needed to confirm the relationships between certain ratios and financial performance indicators, particularly the impact of the debt ratio on earnings per share.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

This study examines the financial performance of listed hotels and tourism companies in Nepal, focusing on profitability, liquidity, asset utilization, and debt position, and their effects on profitability. The research employs a causal design and includes a sample of three hotels selected from a population of five listed hotels in Nepal using judgmental sampling. Secondary data from financial reports were analyzed using various financial metrics such as ROA, ROE, EPS, asset turnover, inventory turnover, and NIM ratio. Additionally, statistical tools like mean, correlation, and regression analyses were utilized.

The findings reveal that the liquidity positions of the hotels varied over the fiscal years. Taragaon Hotel maintained a stable liquidity position, while Soaltee Hotel and Oriental Hotel experienced fluctuations and a general decline in liquidity. Soaltee Hotel and Taragaon Hotel demonstrated effective inventory management with consistent inventory turnover, whereas Oriental Hotel faced a decline, indicating inefficiencies in inventory management. In terms of asset utilization, Soaltee Hotel maintained stable asset turnover, while Taragaon Hotel and Oriental Hotel saw declines in revenue generation relative to their total assets.

Interest coverage ratios for Soaltee Hotel and Taragaon Hotel generally indicated a satisfactory ability to cover interest expenses, but Oriental Hotel showed a decline, raising concerns about its ability to meet interest obligations. Debt ratios for Soaltee Hotel and Taragaon Hotel remained stable or slightly decreased, suggesting controlled debt levels relative to assets, while Oriental Hotel's increasing debt ratio indicated higher reliance on debt financing.

In profitability measures, Soaltee Hotel maintained a stable ROA, Taragaon Hotel experienced a decline, and Oriental Hotel had fluctuating ROA with a negative value in the most recent fiscal year, highlighting challenges in generating profit. EPS for Soaltee

Hotel remained stable, but Taragaon Hotel saw a decline, and Oriental Hotel faced fluctuations, including negative EPS in the most recent fiscal year.

Regression analysis showed that the current ratio and quick ratio had limited impact on predicting EPS, as their coefficients were not statistically significant. However, asset turnover and inventory turnover ratios had significant positive impacts on ROA, indicating that improving these ratios could enhance a hotel's ability to generate returns from its assets. The debt ratio had a negative but not statistically significant impact on EPS. The interest coverage ratio had a marginally significant positive impact on ROE, suggesting its potential importance in predicting ROE, though further analysis or a larger sample size is needed to confirm this relationship.

5.2 Conclusion

Based on the findings and objectives of the analysis conducted on the listed hotels in Nepal, the following conclusions can be drawn:

Profitability: Soaltee Hotel demonstrated relatively stable Return on Assets (ROA) and maintained a consistent Earnings Per Share (EPS) over the fiscal years. Taragaon Hotel experienced a decline in ROA and EPS, while Oriental Hotel faced fluctuating and negative ROA and EPS. Overall, Soaltee Hotel exhibited better profitability compared to the other hotels.

Liquidity: Taragaon Hotel maintained a relatively stable liquidity position, with consistent current and quick ratios over the years. In contrast, Soaltee Hotel and Oriental Hotel experienced fluctuations and a general decline in their liquidity positions. Taragaon Oriental Hotel appears to have better liquidity management among the listed hotels.

Assets Utilization: Soaltee Hotel maintained a relatively stable assets turnover ratio, indicating its ability to generate revenue efficiently from its total assets. However, Taragaun Oriental Hotel and Oriental Hotel experienced a decline in assets turnover, suggesting potential issues in effectively utilizing their assets to generate revenue.

Debt Position: Soaltee Hotel and Taragaon Oriental Hotel maintained relatively stable or slightly decreased debt ratios, indicating a controlled level of debt compared to their total

assets. In contrast, Oriental Hotel witnessed an increase in its debt ratio, suggesting a higher reliance on debt financing.

Impact of Liquidity, Assets Management, and Leverage on Profitability: The regression model indicated that the assets turnover ratio and inventory turnover ratio have a statistically significant and positive impact on the Return on Assets. This suggests that effectively managing assets and inventory can contribute to improved profitability. However, the Debt Ratio did not show statistical significance in predicting Earnings Per Share, and the coefficient for the Interest Coverage Ratio had marginal statistical significance in predicting Return on Equity, indicating the need for further analysis or a larger sample size to confirm these relationships.

In conclusion, Soaltee Hotel demonstrated better profitability, Taragaon Hotel maintained a stable liquidity position, and Soaltee Hotel had effective assets utilization. However, Oriental Hotel faced challenges in terms of profitability, liquidity, and debt management. These findings highlight the importance of financial management strategies in driving the performance of listed hotels in Nepal

5.3 Implications

The analysis of the financial indicators of three hotels, Soaltee Hotel, Taragaon Hotel, and Oriental Hotel, provides several theoretical and practical implications.

From a liquidity perspective, Taragaon Oriental Hotel stands out as it maintained a relatively stable liquidity position over the five fiscal years, as evidenced by consistent current and quick ratios. In contrast, Soaltee Hotel and Oriental Hotel experienced fluctuations and a general decline in their liquidity positions. This suggests that Taragaon Oriental Hotel may have implemented effective strategies to manage its short-term obligations and maintain a healthy cash position, while the other two hotels may need to focus on improving their liquidity management.

In terms of inventory management, both Soaltee Hotel and Taragaon Hotel demonstrated effective control over their inventory turnover, maintaining relatively consistent levels over the years. This indicates efficient management and selling of inventory. However, Oriental Hotel experienced a decline in inventory turnover, suggesting potential issues in

managing and selling inventory efficiently. Therefore, Oriental Hotel should explore strategies to improve its inventory management practices.

The analysis of assets turnover reveals that Soaltee Hotel maintained a relatively stable assets turnover ratio, while Taragaon Hotel and Oriental Hotel experienced a decline in their ability to generate revenue in relation to their total assets. This indicates that both Taragaon Oriental Hotel and Oriental Hotel may need to focus on optimizing their asset utilization to improve revenue generation and overall performance.

Regarding the interest coverage ratio, Soaltee Hotel and Taragaon Hotel generally maintained a satisfactory level, indicating their ability to cover interest expenses. However, Oriental Hotel experienced a decline in its interest coverage ratio, which raises concerns about its ability to meet interest obligations. Oriental Hotel should closely monitor its interest expenses and consider strategies to improve its interest coverage ratio to ensure financial stability.

Analyzing the debt ratios, Soaltee Hotel and Taragaon Hotel maintained relatively stable or slightly decreasing debt ratios, suggesting a controlled level of debt compared to their total assets. On the other hand, Oriental Hotel witnessed an increase in its debt ratio, indicating a higher reliance on debt financing. Oriental Hotel should evaluate its debt structure and explore alternative financing options to manage its debt effectively.

Examining the return on assets (ROA), Soaltee Hotel maintained a relatively stable ROA, indicating its ability to generate profit efficiently from its assets. However, Taragaon Hotel experienced a decline in ROA, suggesting a need for measures to improve profitability. Oriental Hotel faced fluctuating ROA, with a negative value in the most recent fiscal year, indicating the challenges it faces in generating profit. Oriental Hotel should implement strategies to enhance its profitability and optimize asset utilization.

In terms of earnings per share (EPS), Soaltee Hotel maintained a relatively stable EPS, indicating its ability to generate earnings for shareholders. Taragaon Hotel experienced a decline in EPS, which may be attributed to factors affecting profitability. Oriental Hotel faced fluctuating EPS, including a negative value in the most recent fiscal year. Oriental Hotel should address its profitability issues to improve EPS and enhance shareholder value.

The regression model analysis indicates that the current ratio and quick ratio have limited impact on predicting EPS, as their coefficients are not statistically significant. However, the assets turnover ratio and inventory turnover ratio show statistically significant and positive impacts on ROA, suggesting that improving these ratios can enhance a hotel's ability to generate returns from its assets.

The analysis also suggests that the debt ratio has a negative impact on EPS, although the coefficient is not statistically significant. Furthermore, the interest coverage ratio has a marginally statistically significant positive impact on return on equity (ROE), indicating its potential importance in predicting ROE, but further analysis or a larger sample size may be necessary to confirm this relationship.

Overall, the theoretical and practical implications derived from the analysis highlight the importance of effective liquidity management, inventory control, asset utilization, debt management, profitability improvement, and financial stability in the hotel industry. Hotel management should focus on these areas to optimize financial performance and enhance shareholder value. Additionally, further research and analysis could provide deeper insights into the relationships between these financial indicators and their impact on hotel performance.

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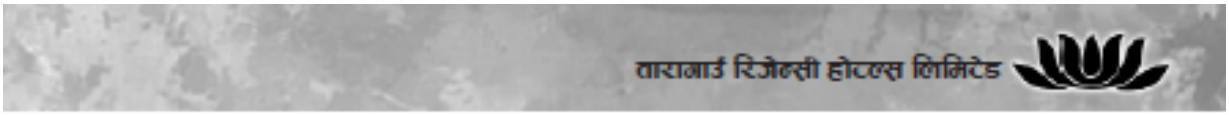
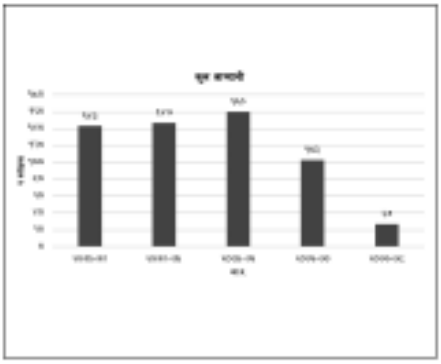
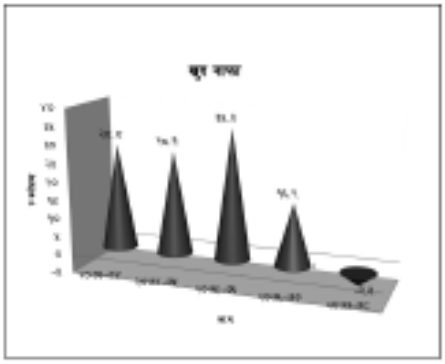
Appendices

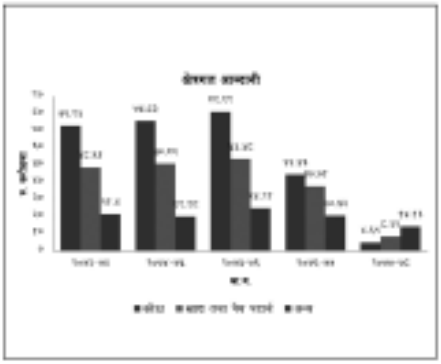
Appendix 1

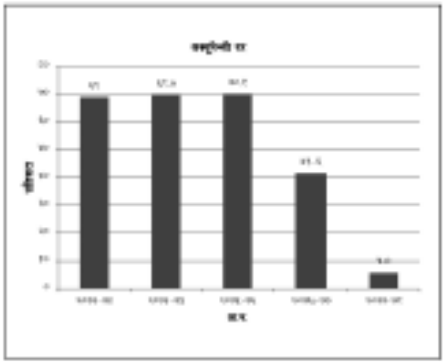


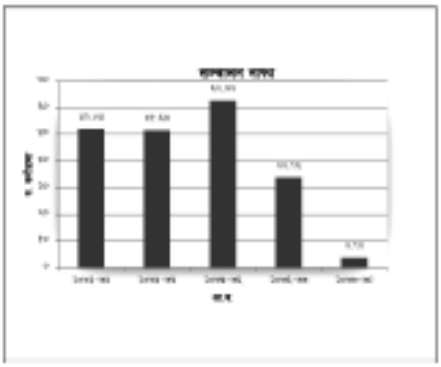
आर्थिक वर्ष २०७३।०७४ देखि २०७७।०७८ सम्मको यस होटलको कुल आम्दानी, खुद नाफा, क्षेत्रगत आम्दानी, अक्यूपेन्सी दर, शिर्षक अनुसार कुल खर्चको विवरण र सञ्चालन नाफाको स्थिति निम्न चित्रबाट प्रस्ट पार्न चाहान्छु ।

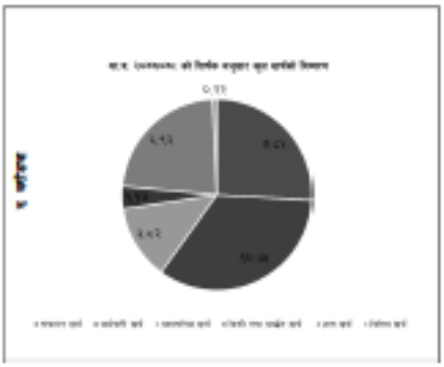












Appendix 2

SOALTEE HOTEL LIMITED

Statement of Profit or Loss and Other Comprehensive Income
For the period ended on 31 Ashad 2078 (15 July 2021)

Amount in Rs.

Particulars	Note	Year Ended Ashad 31, 2078 (July 15, 2021)	Year Ended Ashad 31, 2077 (July 15, 2020)
Revenue from Operation	3.15	420,212,377	1,151,942,847
Other Income	3.16	33,714,212	112,066,020
Total Revenue		**453,926,589**	**1,264,008,867**
Consumption of Foods and Beverage	3.17	123,890,975	206,239,644
Employee Benefit Expenses	3.18	213,983,858	443,505,402
Management Fees		2,457,852	28,525,611
Operating Expenses	3.19	94,894,586	187,141,188
Depreciation and Amortization Expense	3.1/3.2/3.3	93,995,245	91,953,037
Other Expenses	3.20	97,196,849	166,142,659
Total Expenditures		**626,419,365**	**1,123,507,541**
Profit/(Loss) from Operations		**(172,492,776)**	**140,501,326**
Finance Cost		2,871,584	578,458
Profit/(Loss) Before Tax		**(175,364,360)**	**139,922,868**
Income Tax		**49,569,138**	**27,880,721**
Current Tax		-	15,902,793
Deferred Tax Expenses/(Income)	3.4	49,569,138	11,977,928
Profit/(Loss) from Continuing Operations		**(224,933,498)**	**112,042,147**
Profit /(Loss) on Discontinued Operations (Net of tax)		-	-
Net Profit/(Loss) for the Year		**(224,933,498)**	**112,042,147**
Other Comprehensive Income			
Change in Fair Value of Equity Shares		(3,923)	200
Total Other Comprehensive Income		**(3,923)**	**200**
Total Comprehensive Income		**(224,937,421)**	**112,042,347**

Basic Earnings per Share (Rs.)	3.21	(2.67)	1.33
Diluted Earnings per Share (Rs.)		(2.67)	1.33

Notes 1 to 4.22 form an integral part of this statement

As per our report of even date

Appendix 3

Rs in Lacs

Financial Year	Share Capital	Fixed Assets	Total Transaction	GOP	Profit Before Tax	Net Profit	Reserve & Surplus
2058/59	4,951.00	12,952.00	1,783.00	155.00	(1,108.00)	(1,108.00)	(2,787.00)
2059/60	4,952.00	13,000.00	1,766.00	91.00	(1,210.00)	(1,210.00)	(3,997.00)
2060/61	4,953.00	13,120.00	2,509.00	644.00	(637.00)	(637.00)	(4,634.00)
2061/62	4,953.00	13,205.00	2,155.00	348.00	(746.00)	(746.00)	(5,380.00)
2062/63	4,954.00	13,340.00	2,801.00	843.00	(279.00)	(279.00)	(5,658.00)
2063/64	4,956.00	13,383.00	3,286.00	1,109.00	36.00	36.00	(5,622.00)
2064/65	4,966.00	13,674.00	3,851.00	1,346.00	234.00	234.00	(4,388.00)
3065/66	4,969.00	13,983.00	4,459.00	1,486.00	505.00	141.00	(5,246.00)
2066/67	4,966.00	14,277.46	5,006.63	1,655.42	700.93	513.83	(4,732.00)
2067/68	4,970.00	14,415.00	6,031.00	2,055.00	996.00	814.00	(3,919.00)
2068/69	4,971.00	19,507.00	7,101.00	2,613.00	1,470.00	1,115.00	(2,803.00)
2069/70	4,971.00	20,220.00	8,438.00	3,101.00	1,539.00	1,208.00	(1,595.00)
2070/71	4,978.00	20,596.00	10,827.00	4,173.00	2,712.00	2,101.00	506.00
2071/72	5,481.00	21,187.00	10,568.00	3,776.00	2,478.00	1,902.00	1,910.00
2072/73	6,598.00	21,774.00	9,029.11	2,806.00	1,484.26	1,175.00	2,012.00
2073/74	7,917.26	23,563.78	11,720.40	4,310.27	2,984.48	2,394.97	10,204.92
2074/75	9,342	23,217	12,581	5,195	3,729	2,909	11,193
2075/76	10,744	24,240	13,271	5,107	3,937	3,085	11,870
2076/77	11,281	23,781	7,883	1,985	818	669	10,997
2077/78	11,281	22,473	1,312	-1,387	-2,618	-2,034	8,961

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Abstract This study aims to analyze the financial status of listed star hotel companies in Nepal, specifically focusing on the impact of liquidity on profitability. Utilizing a causal research design, the study examines three key financial ratios: return on assets (ROA), return on equity (ROE), and earnings per share (EPS). Three listed star hotels were selected through judgmental sampling, and data from the past five years were analyzed. Averages of these financial ratios were compared, and regression analysis was applied using SPSS to determine the impact of liquidity. The findings indicate that at a 5% level of significance, liquidity does not significantly affect the financial ratios. Contrary to many studies that suggest liquidity improves financial performance, this research found that debt, asset utilization, and liquidity positively influence the financial performance and shareholders' value of Nepalese hotel companies. It is recommended that future research should explore the effects of investment in other economic sectors to draw parallels with the hotel and tourism sector. This could provide a broader understanding of how different investment strategies impact financial performance across various industries. CHAPTER-I INTRODUCTION 1.1 Background of the Study Financial analysis is a critical step