FACTORS INFLUENCING PERFORMANCE OF COMMERCIAL BANKS IN NEPAL

A Thesis

By:

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RECOMMENDATION

This is to certify that the Thesis

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FACTORS INFLUENCING PERFORMANCE OF COMMERCIAL BANKS IN NEPAL

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.

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Bhoj Raj Ojha	Asso. Prof. Dr. Sajeeb Kumar Shrestha	Asso. Prof. Dr. Krishna Prasad Acharya
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VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented

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and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree

Master's of Business Studies (MBS)

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DECLARATION

I hereby, declare that the work reported in this thesis entitled FACTORS INFLUENCING PERFORMANCE OF COMMERCIAL BANKS IN NEPAL submitted to the Office of Dean, Faculty of Management, Tribhuvan University, is my original done in partial fulfillment of the requirements for the Masters of Business Studies (M.B.S), under the supervision of Bhoj Raj Ojha of Shanker Dev Campus.

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ABBREVIATIONS

CA	:	Current Assets
CL	:	Current Liabilities
CR	:	Current Ratio
CRR	:	Cash Reserve Ratio
EBL	:	Everest Bank Limited
FY	:	Fiscal Year
MBS	:	Master of Business Studies
NBL	:	Nepal Bank Limited
NPA	:	Non-performing Assets
NRB	:	Nepal Rastra Bank
Rs.	:	Rupees
SCBNL	:	Standard Chartered Bank Nepal Limited
SLR	:	Statutory Liquidity Ratio
WC	:	Working Capital

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

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

The survival, development, and prosperity of any organization depend on numerous factors, all of which require prime attention. Among these, a crucial determinant for effective business operations is the financial management system. Efficient utilization of financial resources is essential for achieving organizational goals. Therefore, analyzing accounting and financial statements becomes imperative to assess the financial health of an organization and determine necessary measures. With the liberal economic policies adopted by governments in recent years, many private banks have emerged, while foreign joint venture banks have gained competitive advantages. Studies by McKinnon (1973) and Levine (1997) have highlighted the role of an effective financial system in reducing information and transaction costs, influencing savings rates, investment decisions, technological innovations, and ultimately economic growth. Additionally, as noted by Zeinab (2006), banking systems in underdeveloped countries are vital components of economic systems and crucial for development efforts.

Financial performance is the assessment of an organization's policies and operations in terms of monetary value, gauging factors such as profitability, liquidity, and leverage. This evaluation allows decision-makers to objectively measure the outcomes of business strategies and activities. Typically, financial ratios are utilized for this assessment, offering a straightforward depiction of a firm's performance over time and aiding in

managerial decision-making (Padachi, 2006). A robust financial management system is expected to contribute positively to a firm's value creation.

The capital adequacy ratio serves as a critical indicator of a bank's health, ensuring its ability to absorb potential shocks. This ratio is crucially determined by the sufficiency of equity to cover the bank's risk-weighted exposures (Kosmidou, 2008). Credit risk, a primary concern for banks, is assessed by analyzing asset quality and the likelihood of borrowers fulfilling loan obligations. The quality of assets held by a bank directly influences its credit risk exposure.

Evaluation of a company's performance, as emphasized by Ho and Zhu (2004), focuses on operational effectiveness and efficiency, directly impacting its survival. Commercial banks, acting as financial intermediaries, play pivotal roles in providing lending and deposit services, crucial for payment, liquidity, and credit intermediation. This financial infrastructure is essential for economic health and growth, with both financial intermediaries and markets playing vital roles in economic development (Narayan, 1976).

Banks are instrumental in mobilizing savings for investment, serving as the backbone of any economy by collecting deposits and disbursing funds primarily through loans. Studies highlight that various forms of urban financial investments, including bank deposits, shares, and securities, contribute significantly to economic growth (Narayan, 1976). Mudra-SAMIR's (1992) research indicates that working women in urban India save a considerable portion of their earnings, with access to low-cost deposits enabling banks to provide funding to corporations at competitive rates (Pathak, 2005).

Banks engage closely with customers, gathering essential information during funding processes, and establish agreements beneficial to both parties, contrasting with capital markets where investments rely on investor knowledge, posing greater risk. Research indicates that savings gravitate towards banks despite other investment avenues. In Nepal, financial institutions, classified by the NRB into commercial banks (Type A), development banks (Type B), financial companies (Type C), and microfinance institutions (Type D), play pivotal roles in the economy. Commercial banks, including public, private, and joint ventures, mobilize deposits and extend loans, with 21 commercial banks, 17 development banks, and 17 finance companies currently operating.

They offer services like remittance, cards, letters of credit, and bank guarantees. Their role in managing savings and investments is crucial for economic development, facilitating investments in agriculture, trade, industry, and marginalized sectors, thereby fostering national economic growth. However, Nepal's financial sector faces challenges necessitating strategic planning and policies for the coming decade. The NRB, as the central bank, is tasked with ensuring stability, soundness, and public trust in the banking system through effective regulation, supervision, and control.

1.2 Profile of the Selected Joint Venture Banks

A) Nepal Bank Limited (NBL)

Established in 1937, Nepal Bank Limited (NBL) pioneered formal banking in Nepal, inaugurated by King Tribhuvan. Despite initial challenges in raising funds, NBL secured NPR 842,000 out of NPR 2,500,000 in equity shares in its first year, with deposits totaling NPR 1,702,025 and loans disbursed amounting to NPR 1,985,000. Initially a joint venture between the government and the private sector, NBL began with an authorized capital of NPR 10 million, issued capital of NPR 2.5 million, and paid-up capital of NPR 842,000, with 10 shareholders. Over time, NBL expanded its network to 211 branches nationwide, offering a range of banking services, including deposit facilities, loans, ABBS services, internet banking, and ATM facilities.

(B) Nabil Bank Limited (NABIL)

Nabil Bank Limited, established in July 1984, is Nepal's first private sector bank. It aims to provide modern banking services to all sectors of society, boasting 74 points of representation and over 1500 Nabil Remit agents nationwide. With a focus on customer satisfaction, Nabil is renowned for introducing innovative products and marketing concepts, setting a benchmark in Nepal's banking history. Managed by a highly qualified team, the bank prioritizes modern technology and international standard banking software to support E-channels and transactions. Nabil's mission is to be the "1st Choice Provider of Complete Financial Solutions," emphasizing excellence across multiple areas, encapsulated in its brand promise, "Together Ahead." The bank's values underscore its commitment to being customer-focused, result-oriented, innovative, synergistic, and professional.

C) Standard Chartered Bank Nepal Limited (SCBNL)

Standard Chartered Bank Nepal Limited commenced operations in 1987 as a joint-venture entity, now owned 75% by the Standard Chartered Group and 25% by the Nepalese public, making it the largest international bank in Nepal. With over 150 years of banking experience, Standard Chartered operates in over 70 countries, employing nearly 87,000 individuals from diverse backgrounds. In Nepal, the bank operates through 15 branches, 23 ATMs, and employs over 450 local staff, offering a wide range of banking products and services to individuals, local and multinational corporations, government entities, and various organizations. Leveraging its global network, Standard Chartered Bank Nepal provides international banking services domestically.

D) Everest Bank Limited (EBL)

Everest Bank Limited (EBL), established on October 18, 1994, aims to provide professional banking services across Nepal to contribute to the country's economic development. As a joint venture with Punjab National Bank (PNB) of India, renowned for its century-old tradition of successful banking and modern procedures, EBL benefits from PNB's expertise under a technical services agreement. EBL operates with the goal of offering comprehensive banking services to both businesses and individuals.

E) Global IME Bank Ltd. (GIBL)

Global IME Bank Ltd. (GIBL) was formed through the merger of several financial institutions, including Global Bank Ltd., IME Financial Institution, Lord Buddha Finance Ltd., Social Development Bank, GulmiBikas Bank, Commerz and Trust Bank Nepal Ltd., Pacific Development Bank Limited, Reliable Development Bank Limited, Hathway Finance Limited, Janata Bank Nepal Limited, and Bank of Kathmandu. Established in 2007, Global Bank Limited initially operated as an 'A' class commercial bank with a paid-up capital of NPR 1.0 billion, later increased to NPR 35.77 billion. GIBL is now the largest bank in Nepal, offering a wide range of banking services and publicly traded on the Nepal Stock Exchange.

F) Rastriya Banijya Bank Limited (RBBL)

Rastriya Banijya Bank Limited (RBBL) has been a cornerstone of banking services in Nepal for over fifty years. Initially government-owned, RBBL was established on

January 23, 1966, under the "Rastriya Banijya Bank Act, 2021," operating as a commercial bank until it was re-registered as a public limited company on May 19, 2006. Currently licensed as an "A" class financial institution by Nepal Rastra Bank, RBBL continues to provide essential banking services nationwide.

1.3 Focus of the Study

Financial performance serves as an evaluative metric indicating a firm's efficiency in utilizing assets within its core operations to generate revenue. It serves as a comprehensive gauge of a firm's financial well-being during a specified timeframe. Analysts and investors leverage financial performance metrics to assess and compare firms within the same industry or to make industry-wide or sector-wide comparisons. This study will primarily delve into conducting an in-depth analysis of the financial performance of joint venture commercial banks, aiming to provide insights into their operational efficiency, revenue generation capabilities, and overall financial health.

1.4 Statement of Problem

The Nepalese commercial banking industry is in a developmental phase, operating under the regulatory framework established by the Rastra Bank of Nepal, the country's central bank. While financial performance in banking is encouraged for its role in channeling funds towards productive endeavors, it also entails credit risk due to the potential default of borrowers. Notably, Nepalese banks grapple with mounting non-performing assets (NPAs), posing significant challenges to the sector.

This study aims to address the issues plaguing the banking sector, particularly commercial banks, by investigating the following key questions:

- What is the current status of financial performance of Nepalese Commercial banks in Nepal?
- What are the relationship between financial performance and profitability of Nepalese Commercial banks?
- What is the impact of liquidity, leverage, tangibility and size of performance of Nepal of Nepalese Commercial banks?

1.5 Objective of Study

The main objectives of the study are to analyze the financial performance management adopted by the sample bank with view to provide workable suggestion. Therefore the main objective of the study is to find out the financial performances management position of the sample banks. The main objective of this study is to analyze the financial performance of Nepalese Commercial banks in Nepal and other specific objectives are as follows. For above purpose the following points has considered in the research.

- To assess the current status of financial performance of Nepalese Commercial banks in Nepal.
- To analyze the relationship between financial performance and profitability of Nepalese Commercial banks.
- To investigate the impact of liquidity, leverage, tangibility and size of performance of Nepal of Nepalese Commercial banks.

1.6 Rationale of the Study

The significance of this study lies in its ability to provide financial performance analysis to the management and owners of the selected banks. Through this analysis, they can identify both strengths and weaknesses within their operations and strategize on potential improvements based on the suggestions and recommendations outlined in the report. Additionally, they can compare their performance with that of their competitors, as the selected banks share similarities in structure, size, capital, and services offered. Moreover, shareholders stand to benefit from the report as they are keen on the present and future profitability of the banks, as it directly impacts their earnings and the safety of their investments. Debenture holders also have an interest in the report, particularly regarding the bank's capability to pay interest on their investments. Employees of the banks can utilize the report to gauge their performance-related bonuses and incentives, comparing them with other banks in the industry. Finally, depositors, customers, and the general public can benefit from the report by making informed decisions about which banks to engage with for their banking transactions.

1.7 Limitation of Study

Like any research endeavor, this study is not without its limitations. Among them, the reliability of the statistical tools employed poses a significant concern. Additionally, a lack of prior research experience represents a notable limitation. Other potential limitations include:

- This study only analyzes the last ten years data i.e. from 2013/014 to 2022/023.
- The study is based on secondary data's. However, the study has to depend more on the secondary data taken from the annual reports, internet website of the banks. Similarly, on the other bank related magazines and journals. Therefore, the reliability of the conclusions depends on the accuracy of the pooled secondary data.
- The study covers past and present state of the financial performance of commercial banks in Nepal. Hence, it does not make any projections about its future.
- This study takes only six commercial banks among the twenty commercial banks.

1.8 Chapter Plan

This study is structured into five chapters.

The first chapter, the introduction, provides an overview of the main topic, including the background, statement of the problems, objectives, and organizational framework.

The second chapter reviews existing relevant literature, encompassing conceptual reviews from books, journals, articles, and both published and unpublished research works, along with a discussion on relevant legal frameworks such as the security act.

The third chapter, Research Methodology, outlines the research approach adopted in this study, detailing the size, shape, and methods employed. Various financial and statistical tools and techniques utilized for data analysis are defined within this section.

In the fourth chapter, Presentation and Analysis of Data, the collected data is extensively analyzed and interpreted using diverse financial and statistical tools. This chapter elucidates the key findings derived from the analysis.

The fifth and final chapter, summary, conclusion, and recommendation, encapsulates the study's summary, conclusion, and recommendations based on the findings. The thesis concludes with a bibliography and appendix sections.

CHAPTER-II

LITERATURE REVIEW

A literature review offers a comprehensive examination of previously published works related to a specific subject. It can encompass a full scholarly paper or a section within a scholarly work, such as a book or an article. Regardless of its form, the primary aim of a literature review is to furnish the researcher or author, as well as the audience, with a comprehensive understanding of the existing knowledge pertaining to the topic at hand. A well-executed literature review is instrumental in ensuring the formulation of a precise research question and the selection of an appropriate theoretical framework. Essentially, a literature review serves to position the current study within the broader body of relevant literature and to provide valuable context for the reader.

2.1 Conceptual Review

This chapter delves into both theoretical and empirical literature concerning the financial performance management of Nepalese commercial banks. It concludes by summarizing the literature and identifying the research gap that the study aims to address. Generally, a bank is an institution that handles money, currency, and precious metals. It accepts deposits in various forms from savers and provides funds to those in need under different terms and conditions, including interest rates and repayment terms. In return for the funds received, banks pay interest to depositors and charge various fees and levies, such as processing fees, commissions, and interest, to borrowers. Additionally, banks offer services such as bill discounting, guarantees, letter of credit issuance, investment in securities, and underwriting securities. The term "bank" originates from the Italian word "Banco," which means bench. Historically, individuals involved in money transactions conducted their business while seated on benches, leading to the term "Banco," which evolved into "bank" over time (Timsina, 2014).

2.1.1 Financial Performance

Financial performance analysis is considered fundamental to financial decision-making within an organization. The success and progress of any enterprise are directly impacted by its financial policies. The objective of such analysis is to assess the effectiveness and

efficiency of a firm's management, as evidenced by its financial records and reports. Financial management is intricately involved in tasks such as record-keeping, securing necessary funds, and maintaining relationships with banks and other financial institutions. As a crucial aspect of financial management, financial performance serves as a primary indicator of a firm's success or failure (Khan and Jain; 1991).

The financial condition of a business should be robust from the perspectives of shareholders, debenture holders, financial institutions, and the nation as a whole. Analysts aim to measure a firm's liquidity, profitability, and other indicators to ascertain whether business operations are conducted in a rational and systematic manner. Any deviations from financial norms or logical data relationships prompt analysts to investigate and potentially raise concerns with management (Hampton, 2006).

Financial statement analysis involves examining the relationships within a set of financial statements at a given point in time, as well as identifying trends in these relationships over time. It aids in identifying the financial strengths and weaknesses of a firm by establishing relationships between items on the balance sheet and the profit and loss account (Foster, 2002).

Ratio analysis emerges as a powerful and extensively utilized tool in financial analysis. It involves the systematic use of ratios to interpret financial statements, enabling the determination of a firm's strengths, weaknesses, historical performance, and current financial condition. Financial management encompasses raising funds, investing them in assets, distributing returns earned from assets to shareholders, and balancing cash outflows and inflows (Pandey, 1999).

Financial ratios, categorized into liquidity, debt, profitability, and coverage ratios, offer valuable insights for financial analysis, managerial control, and understanding the expectations of external capital providers. However, their meaningful interpretation relies on comparative analysis and the expertise of the financial analyst employing them (Khan & Jain, 1991).

2.1.2 Purpose of Financial Analysis

Financial analysis involves examining the relationships between various financial factors to identify the strengths and weaknesses of a firm, aiding in forecasting future earnings. It

has become increasingly important in evaluating the true value of a going concern, a key assumption in fundamental accounting principles (Kereta, 2009).

Financial statements are commonly analyzed using financial tools, with financial ratios being one of the primary tools utilized. Ratios represent numerical and quantitative relationships between two variables, often calculated from balance sheets and profit and loss accounts (Kereta, 2009).

The analysis of financial statements assists in evaluating the financial position and profitability of a business. It involves interpreting the information contained in financial statements to provide a comprehensive diagnosis of profitability and financial health. Decision-makers benefit from financial analysis by identifying favorable situations within a business. Financial analysis also enables comparisons over time, across different companies, against industry standards, or predetermined benchmarks. Its main objectives include assessing the present and future earning capacity, operational efficiency, short and long-term solvency, comparative performance against competitors or industry standards, and potential for future development through forecasting and budgeting (Paul; 1996).

In summary, financial statement analysis aims to evaluate a firm's profitability, operational efficiency, solvency, comparative performance, and potential for future growth, offering valuable insights to decision-makers.

2.1.3 Uses/Importance of Financial Performance Analysis

The financial statement contains valuable information that serves various stakeholders. These include:

A) Owners

Business owners contribute funds for the operation of their businesses and are interested in ensuring that these funds are effectively utilized. Financial statements, prepared periodically, address their concerns and provide insights into the utilization of their investments (Helfert, 1992).

B) Creditors

Before extending loans or credit, creditors seek to assess the financial standing of a business. Financial statements play a crucial role in aiding creditors to evaluate this position (Helfert, 1992).

C) Employee

Employees are keen on understanding the financial status of the organization they work for, especially when bonuses are tied to profits. They rely on accurate financial statements, particularly the profit and loss account; to ensure the correctness of the bonuses they receive (Helfert, 1992).

D) Managers

Management involves effectively directing the efforts of subordinates to accomplish tasks. To ensure that subordinates perform their duties adequately, managers rely on financial statements. These statements assist managers in evaluating the performance of their subordinates by comparing actual results with budgeted expectations. If performance falls short of expectations, corrective measures can be implemented (Helfert, 1992).

E) Government

The central and state governments find financial statements valuable as they provide insights into earnings during a specific period for taxation purposes. Additionally, these statements aid in compiling business statistics, which contribute to the compilation of national accounts (Helfert, 1992).

F) Investors

Potential investors seeking to invest in a company typically analyze its financial statements to assess the safety and viability of their investment (Helfert, 1992).

G) Research Scholars

Financial statements, which reflect the financial status of a company, hold significant value for researchers aiming to conduct studies on the financial analysis of specific firms (Helfert, 1992).

A comprehensive and effective analysis is the outcome of ongoing and transparent collaboration between technical and financial personnel. It's crucial for technical staff to be involved in financial analysis and grasp its key insights. Often, financial reports for donors are prepared solely by finance personnel, leading to inconsistencies with technical reports and confusion among donors. While finance staff typically conduct initial financial analysis, it's essential for the team to agree on the analysis scope beforehand. Project managers should understand financial processes to guide the analysis effectively (Crosse, 1993).

Financial analysts commonly evaluate the following aspects of a firm:

- Profitability: This refers to a company's capacity to generate earnings and sustain growth over both short and long periods. Typically assessed through the income statement, profitability measures a company's operational performance.
- Solvency: Solvency indicates a company's ability to fulfill its long-term financial obligations to creditors and other third parties. It's evaluated using the balance sheet, which portrays a company's financial status at a specific point in time.
- Liquidity: Liquidity assesses a company's capability to maintain positive cash flow while meeting immediate financial commitments. It's also gauged through the balance sheet, reflecting the company's financial health at a given moment.
- Stability: Stability evaluates a firm's capacity to sustain its operations without incurring significant losses in the long run. It necessitates an analysis of both income statements and balance sheets, alongside other financial and non-financial indicators.

Financial analysts often use financial ratios to evaluate a company's performance across various dimensions like solvency, profitability, and growth. They compare these ratios over historical periods, forecast future performance, and conduct comparative analysis against similar firms. These ratios, derived from balance sheet and income statement data, include Return on Equity (ROE), Return on Assets (ROA), and Price/Earnings (P/E) ratio.

However, financial ratios face theoretical challenges:

- They lack absolute meaning and require comparison with historical data or similar firms for meaningful interpretation.

- Interpretation of ratios can vary, and combining multiple ratios provides a more holistic view.
- Seasonal fluctuations and accounting methods can distort ratio values.
- Percentage analysis, horizontal analysis, and vertical analysis are alternative methods to understand trends and comparability across different periods or companies.

2.1.4 Financial Ratios

Here are several key financial ratios used to assess the financial performance of chosen banks:

(i) Liquidity Ratio

A liquidity ratio gauges a firm's ability to fulfill its immediate financial commitments. While a comprehensive liquidity analysis involves crafting cash budgets and examining cash and funds flow statements, liquidity ratios offer a swift assessment by relating cash and other current assets to current liabilities. They offer a snapshot of a firm's liquidity status, ensuring it avoids both cash shortages and excessive liquidity. Insufficient liquidity can lead to diminished creditworthiness, eroded confidence from creditors, or even legal entanglements resulting in business closure. Conversely, excessively high liquidity can tie up assets unnecessarily. Hence, striking a balance between ample liquidity and prudent asset utilization is crucial for a company's financial health (Reed & Smith; 2006).

(ii) Leverage Ratio

Short-term creditors, such as banks and suppliers, prioritize a company's ability to meet its short-term debt obligations. Conversely, long-term creditors, like debenture holders and financial institutions, focus on the company's long-term financial stability. It's essential for a company to maintain a strong position in both short and long-term finances. To assess the long-term financial health, analysts compute financial leverage or capital structure ratios, which reveal the blend of debt and equity used to finance the company's assets. Financial leverage, also known as financial gearing or trading on equity, refers to the practice of increasing shareholders' returns through the utilization of debt (Reed & Smith; 2006).

(iii) Activity Ratio

Activity ratios focus on assessing the effectiveness of asset management. They are utilized to gauge how efficiently a bank manages and deploys its funds. These ratios, also known as turnover ratios, reflect the pace at which assets are converted into sales or utilized (Sharma; 2001).

(iv) Profitability Ratio

For a company to thrive and expand over the long term, it must generate profits. Profit represents the surplus between revenues and expenses within a specific timeframe. It serves as the ultimate outcome for a company, and its sustainability hinges on achieving adequate profitability. Hence, financial managers must consistently assess the company's efficiency in generating profits. Profitability ratios are employed to evaluate a company's operational effectiveness. Apart from company management, creditors and owners also have a vested interest in the firm's profitability. Creditors rely on consistent profits to ensure regular interest payments and repayment of principal amounts (Sharma; 2001).

(v) Credit Ratio

Credit ratios are computed to assess the credit standing of banks. These ratios reveal the proportion of deposited funds utilized for lending purposes, while also indicating the level of cash and bank balances retained for prompt payments (Sharma; 2001).

2.1.5 Financial Statement

The Nepal Stock Exchange gathers and scrutinizes financial statements issued by listed companies to evaluate their financial performance. These financial statements typically include:

i) Balance sheet

The balance sheet stands as the foremost financial statement, offering a snapshot of a business's financial state at a specific point in time. It serves as the foundation for evaluating a company's financial performance. Within the balance sheet lies crucial information concerning a company's assets, liabilities, and shareholders' equity. By presenting a comprehensive view of a firm's financial position at the end of the fiscal year, the balance sheet plays a pivotal role in financial analysis.

Indeed, the balance sheet holds significant importance in financial assessment. Its key functions can be delineated as follows:

1. Providing a succinct overview of a company's resource obligations.
2. Serving as a gauge of the company's liquidity.
3. Serving as a measure of the company's solvency (Weston & Copeland; 1991).

ii) Statement of profit and loss account:

The Profit and Loss account provides a condensed overview of a firm's revenues, expenses, and net income, serving as a barometer of its profitability. Its functions are outlined as follows:

a. Offering a succinct recap of a company's revenue and expenses over a specific period.
b. Evaluating the company's profitability.
c. Communicating information about the outcomes of the company's operations to owners and other stakeholders (Van Horne & Wachowicz; 1997).

iii) Statement of Retained Earning

This statement elucidates on the allocation of earnings for dividends and retained earnings, detailing how profits, dividends, and other transactions impact retained earnings and shareholders' equity. Financial analysis relies on the financial statements of the company in question. The objectives of financial analysis encompass:

a. Acquiring comprehensive information for decision-making purposes.
b. Assessing overall performance and managerial effectiveness.
c. Identifying deficiencies and weaknesses.
d. Implementing timely corrective measures to address such deficiencies and enhance performance.
e. Evaluating the potential consequences of alternative courses of action.
f. Gaining in-depth insights into the feasibility of implementing worthwhile changes (Srivastav; 1993).

Financial statement analysis encompasses examining the relationships within a set of financial statements at a specific point in time and tracking trends in these relationships over time (Foster; 2002). It involves identifying the financial strengths and weaknesses of

a firm by establishing connections between items on the balance sheet and profit and loss account (Pandey; 1999).

Ratio analysis, a fundamental aspect of financial statement analysis, entails determining and interpreting numerical relationships based on financial statements. Ratios serve as statistical benchmarks, expressing the relationship between two variables or figures, either as a percentage (e.g., cost of goods sold as a percentage of sales) or as a quotient (e.g., current assets compared to current liabilities) (Kuchhal; 1976).

Financial ratios are categorized into four types: liquidity, debt, profitability, and coverage. Each type serves distinct purposes for financial analysts and aids in managerial control, as well as in understanding the financial condition and performance expectations of external stakeholders. However, the usefulness of ratios depends on the analytical skills and experience of the financial analyst, as ratios are most meaningful when analyzed comparatively.

Ratio analysis is a widely utilized technique for financial statement analysis and managerial performance evaluation. It helps pinpoint operational issues within a business and provides a basis for recommending corrective measures (Pradhan; 1992). Various stakeholders refer to financial ratios to monitor investment performance or for other specific interests.

2.2 Theoretical Review

The literature review provides an overview of bank financial performance and management, followed by an analysis of factors influencing it. Loans are highlighted as significant income-generating assets, particularly in commercial banks, often considered the cornerstone of their operations. They account for a substantial portion of transactions, form the bulk of investments, and are crucial for profitability. However, it's crucial to note that many banks worldwide face failure due to loan devaluation, making loans inherently risky assets, susceptible to credit risk.

Effective management plays a pivotal role in handling loans. Loan management encompasses overseeing loan exposures arising from corporate bonds and loan derivatives. These exposures constitute a primary investment source for commercial

banks, with returns from such investments typically forming a major income stream (Adedoyin & Sobodun, 1991).

Bank credit plays a crucial role in driving economic growth. Effective loan management emphasizes analyzing and mitigating credit risks to minimize adverse impacts on the bank's financial performance. It was maintaining performing loans benefits society, while non-performing loans pose a threat to existing capital. Therefore, careful analysis of loan proposals is essential to mitigate credit risk. Financial performance is central to banking operations, requiring adept management skills to ensure profitability, liquidity, and safety. Trust and confidence in financial transactions are vital for banks to foster growth and development with minimal risk.

Credit decisions in financial performance are inherently risky, demanding caution and skill in credit analysis, structuring, and reporting. The quality of a bank's loan portfolio, risk asset mix, and credit administration system significantly influence its financial performance. Loans, in various forms such as overdrafts, cash credits, direct loans, and bill discounting, constitute a substantial portion of a bank's assets and contribute significantly to its profits. However, low interest rates and inflation can impact credit availability and loan performance.

Economic growth positively influences bank credit, with real output driving financial development. Effective loan management involves establishing loan standards, analyzing borrower characteristics (character, capacity, capital, condition, and collateral), and implementing follow-up procedures. Different theories within finance literature provide insights into the factors influencing bank financial performance, such as reserve requirements, bank capitalization, and monetary policy effects on credit availability. (Adedoyin & Sobodun, 1991; Nwankwo, 2000; John, 1998; Ezirim, 2005; Chizea, 1994; Oluitan, 2012; Timsina, 2014; Kashyap, 1993).

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

A. Loan pricing theory

According to this assertion, banks face constraints in setting high interest rates due to concerns about adverse selection and moral hazards. High interest rates may attract high-risk borrowers, leading to adverse selection issues. Additionally, once these borrowers

secure loans, they may engage in risky projects or investments, indicating moral hazard behavior. Consequently, finding an interest rate that aligns with borrowers' risk levels can be challenging for banks. This theory implies that loans extended to the public may or may not result in increased risk exposure in the end (Chodecal, 2004).

B. Credit Market Theory

The neoclassical credit market model posits that credit market equilibrium is achieved through the adjustment of interest rates. In this model, interest rates serve as the sole pricing mechanism for clearing the credit market, assuming loan collateral remains constant. As demand for credit rises with a fixed supply of loans from banks, interest rates increase to clear the market, and vice versa. Higher default risks of borrowers lead to higher interest premiums to offset potential losses (Ewert, 2000).

An increase in credit demand due to low interest rates may result in currency depreciation. Consequently, central banks adjust interest rates to raise borrowing costs, prompting commercial banks to raise their rates and reduce lending activities in the long term. Additionally, central banks may impose increased cash reserve requirements on commercial banks to limit credit availability, considering macroeconomic factors. This restriction leaves commercial banks with little choice but to decrease lending volumes (Bolton and Freixas, 2001).

C. Moral Hazard Theory

Moral hazard arises in contractual agreements between two parties, manifesting in two forms: hidden information and hidden action. Hidden information occurs when one party fails to disclose all relevant options and associated risks. Hidden action occurs when one party makes choices that are not in the best interest of the other party and cannot be observed or managed, potentially leading to moral hazard. In the context of credit markets, examining the lender-borrower relationship reveals challenges for financial institutions in ensuring that borrowed funds are invested in productive ventures. Due to information asymmetry, borrowers may opt for risky projects, increasing the likelihood of default (Diamond, 2006).

2.3 Review of Empirical Studies

2.3.1 Review of Journals and Articles

Ibrahim and Nawaiseh (2016) investigated the impact of financial performance on firm value in developing countries, specifically focusing on Jordanian industrial firms listed on the Amman Financial Market (AFM). Their sample comprised 40 firms, representing 71.4% of Jordanian industrial firms, spanning from 2006 to 2015. Utilizing regression analysis, they examined Tobin's Q and operational efficiency indicators (gross profit and operating expenses) as measures of financial performance. The study revealed a statistically significant influence of financial performance on firm value. The authors recommended prioritizing the use of appropriate indicators, such as operating efficiency alongside Tobin's Q, for analyzing financial performance. This comprehensive approach facilitates better forecasting of firm value and informed decision-making among stakeholders. Methodologically, the study outlined the study population, variables, measurement techniques, statistical analysis, hypothesis testing, and results discussion. Secondary data from AFM-listed firms' financial statements were employed, sourced from the AFM website. Despite adverse economic conditions during the study period, the researchers employed three indicators to assess financial performance. However, the study overlooked certain factors affecting firm value, such as managerial ownership.

Saad and Zhengge (2016) conducted a study focusing on the influence of organizational factors on financial performance, particularly in service firms. The research aimed to examine the connections between organizational factors—such as liquidity, leverage, asset utilization, market share position, and firm size—and financial performance indicators, specifically return on assets (ROA) and return on equity (ROE). The significance of assessing financial performance in service firms lies in its reflection of management effectiveness, especially considering the traditionally lower productivity growth in service firms compared to manufacturing firms. While literature extensively covers organizational factors and financial performance in manufacturing firms, the applicability of management practices and organizational factors from manufacturing to service firms remains uncertain. Therefore, the study sought to bridge this gap by exploring whether the factors enhancing financial performance in manufacturing firms also apply to service firms. The financial performance of a company is pivotal in

assessing management effectiveness, as it reflects the contributions of individuals and groups within the organization toward achieving financial objectives. The proposed research framework offers practical value for firms, as managers can gain insights into organizational factors and conduct further research to understand their true impact.

In Dalayeen's (2017) study, the focus was on appraising the financial performance of chosen companies in Jordan. Several factors, including capital structure, costs, revenues, and resulting profit margins, influence an organization's financial performance. Key indicators of financial performance encompass return on assets, sales, equity, and various other financial metrics. The analysis in this research covered parameters such as profitability, asset utilization, performance growth, financial robustness, and capital structure of the selected companies in Jordan. Additionally, the study aimed to elucidate the relationships among different aspects of financial performance. Data for the study were sourced from published annual reports of the selected companies over a thirteen-year period, spanning from 2001-02 to 2013-14. Furthermore, information was gathered from articles published in business newspapers, journals, and online sources. Multiple regression analysis was employed to examine the impact of financial ratios on the financial performance of the chosen companies. Financial performance evaluation involves the interpretation of a firm's financial status and operations, entailing a thorough comparison and interpretation of accounting data. It serves as a scientific tool for assessing the true value of an enterprise and helps unravel the complexities embedded within financial statements. In this study, financial performance was gauged using various financial ratios, including current ratio, quick ratio, operating ratio, inventory turnover ratio, debtors' turnover ratio, debt equity ratio, return on sales (ROS), and return on equity (ROE). Multiple linear regressions were then utilized to assess the influence of these financial ratios on the financial performance of the selected companies in Jordan.

Pinto, Hawaldar, and Rahman (2017) conducted a study focusing on the evaluation of the financial performance of commercial banks, recognizing the pivotal role of banks in any economy's financial system. Specifically, this research assessed the financial performance of commercial banks in Bahrain over a period from 2005 to 2015, analyzing data from eight commercial banks. Data for the study were sourced from various sources, including published annual reports, websites of the respective banks, investor's guides, newspapers,

newsletters of the banks, and the Central Bank of Bahrain website. The study employed regression analysis, correlation analysis, and t-tests to explore the relationships between different financial parameters. The findings indicated a significant impact of profitability on capital adequacy and financial leverage, although the study did not establish a clear relationship between profitability and the efficiency of the banks. Furthermore, the study revealed that enforcing a higher capital adequacy ratio could adversely affect the profitability of the banks. Additionally, the impact of financial and oil crises may have influenced the financial leverage of the banks, resulting in adverse effects on their profitability.

Ray and Mitra (2018) delved into the relationship between a firm's financial performance and its sustainability efforts using classifier models. While numerous studies have explored how socially responsible activities impact financial performance, there is a lack of consensus in the literature. To contribute to this discourse, the study adopted a unique approach by examining how past financial performance influences corporate social responsibility (CSR) activities. The research focused on voluntary CSR disclosure as the dependent variable and investigated how the financial performance of companies affects CSR activities. The study analyzed data from 100 Indian companies listed in the BSE 100 index, utilizing information from directors' reports in the latest annual reports to identify voluntary CSR disclosures. Various financial performance variables, including return on assets (ROA), return on equity (ROE), return on capital employed (ROCE), debt-to-equity ratio, market capitalization, and ownership, were considered as independent variables for analysis. Several binary classifier models were employed for empirical analysis, and their performance was validated using different measurement techniques such as F-measure, accuracy rates, balance error rate (BER), Matthews correlation coefficient (MCC), Kappa coefficient, and AUROC. The results of the model performance demonstrated higher accuracy in predicting actual values compared to previous approaches.

Ronoh, Samson, Kibas, and Kibati (2018) investigated the impact of Business Management Training on the Financial Performance of Deposit Taking Saccos in Kenya, focusing specifically on accounting skills, entrepreneurship skills, financial management skills, marketing management skills, and strategic leadership skills. The study drew upon

several theoretical frameworks, including the theory of internal control, psychological theory, financial stewardship theory, resource-based theory, and Porter's theory of competitive advantage. Employing both positivistic and interpretive philosophical foundations, the research utilized an explanatory survey design to address its research questions. Data were collected through structured questionnaires with Likert scale responses and secondary sources. Reliability (Cronbach's alpha) and validity tests were conducted to pre-test the research questionnaire. Statistical Package for Social Sciences (SPSS) was utilized for data analysis, employing inferential techniques such as correlation and regression, as well as descriptive statistics including frequencies, percentages, mean, and standard deviation. The correlation analysis revealed a significant positive relationship between the independent variables (accounting skills, entrepreneurship skills, financial management skills, marketing skills, and strategic leadership skills) and financial performance. However, based on multiple regression results, these variables could only explain 41.4% of the changes in financial performance. The study emphasized the importance of focusing on both human and financial resources to penetrate the market and employing competitive forces strategies to defend against competition.

Alardi and Altass (2019) conducted a study focusing on the Transparency Index as a means to enhance the transparency of financial reports and improve shareholder protection levels. The research aimed to address the negative impact experienced by financial report users due to inadequate transparency levels and proposed the implementation of a Transparency Index to organize voluntary disclosures. This index would cater to the information needs of financial report users effectively. The study also sought to examine the relationship between the transparency level of financial reports, financial performance, and shareholder protection in the Egyptian Exchange. To validate the study hypotheses, an Experimental Study was conducted on companies listed on the EGX50 index, excluding financial institutions. Financial statements, attached notes, board of directors' reports, governance reports, and sustainability reports of EGX50 index companies over a three-year period (2016-2018) were analyzed. The findings underscored the necessity of bolstering both transparency and shareholder protection levels through the implementation of the proposed Transparency Index. The research

addressed critical issues related to assessing the transparency level of financial reports in the Egyptian Exchange and evaluated the impact of enhanced transparency on financial performance and shareholder protection. The study also proposed a transparency index designed to meet the information needs of financial report users. This study fills a gap in accounting research by assessing the transparency level of financial reports in the Egyptian Exchange and demonstrating the positive effects of improved transparency on financial performance and shareholder protection. This contribution adds to the discourse on transparency levels and shareholder protection within the Egyptian Exchange context.

Jao, Hamzah, and Laba (2020) conducted a study focusing on the relationship between financial performance, reputation, and firm value among non-financial companies listed on the Indonesia Stock Exchange. The research aimed to explore several key relationships: the impact of financial performance on reputation, the influence of financial performance on firm value, the effect of reputation on firm value, and the mediating role of reputation in the relationship between financial performance and firm value. The sample for this study comprised 108 non-financial companies listed on the Indonesia Stock Exchange from 2016 to 2018, selected through purposive sampling. Path analysis was employed as the analytical method, with reputation measured using the Corporate Image Index (CII) provided by Frontier Consulting Group. The findings indicated that financial performance positively and significantly influenced company reputation and firm value. Additionally, reputation had a positive and significant impact on firm value, and it mediated the relationship between financial performance and firm value. The implications of the research highlight the role of financial performance as a positive signal in enhancing a company's reputation, consequently fostering investor confidence in the capital market.

Pandian and Narendran (2021) conducted a study focusing on the influence of financial performance indicators on profitability, particularly in the textile industry. Given that many organizations rely on financial data for resource allocation across departments, assessing financial health through the analysis of financial data and performance indicators becomes imperative. The paper specifically examines how financial performance indicators impact the profitability of the textile industry, a significant sector in India known for its employment generation. Financial analysts typically evaluate

various aspects of a firm's performance, including production, productivity, profitability, liquidity, working capital, fixed assets, fund flow, and social performance. To analyze these relationships, the study employs statistical methods such as linear multiple regression analysis and hypothesis testing (t-test). By conducting financial performance analysis, the study aims to identify both strengths and weaknesses within firms by establishing connections between items in the balance sheet and profit and loss account. The research is particularly valuable as it helps measure liquidity, profitability, and other critical indicators necessary for rational business conduct and ensuring sufficient returns to shareholders to maintain or enhance market value. In this context, the study delves into the financial performance of garment companies to highlight the pivotal role of financial management in fostering growth.

Wardhani, Rosalina, Elvany, and Awaluddin (2021) conducted a study focusing on banking financial performance during the Covid-19 pandemic. The pandemic has prompted companies to enhance their business operations to ensure optimal performance amidst challenging circumstances. Financial performance serves as a crucial tool for assessing a company's financial health, and in this study, the DuPont system method was employed for this purpose. The study aimed to analyze differences in financial performance before and during the Covid-19 pandemic and assess the impact of indicators contained within the DuPont framework, including Net Profit Margin (NPM), Total Asset Turnover (TATO), Financial Leverage Multiplier (FLM), Return on Assets (ROA), and Return on Equity (ROE). The study focused on companies in the banking sector listed on the Indonesia Stock Exchange (IDX) for the period spanning 2019-2020. A purposive sampling technique was utilized to select a sample comprising 23 banking companies. The data collected underwent analysis using the Wilcoxon signed-rank test approach. The test results revealed that the financial performance of the banking sector showed no significant difference before and during the Covid-19 pandemic. This suggests that banks were able to maintain financial stability despite the challenges posed by the pandemic.

2.3.2 Review of Previous Study

Tamang (2016) conducted a study focusing on the financial performance analysis of commercial banks in Nepal, specifically examining Nepal Investment Bank (NIB) and Nepal Bank (NABIL). The study aimed to compare various financial indicators between the two banks, including debt utilization, profitability ratios, capital adequacy ratios, and dividend per share (DPS). The findings suggested that NABIL had a higher utilization of debt, better profitability ratios, and superior capital adequacy and dividend per share compared to NIB. Based on these findings, the study recommended both banks to review their capital structure and investment portfolios for better performance and to improve their liquidity positions.

Chand (2018) investigated the financial performance analysis of selected commercial banks, namely NABIL, Nepal Investment Bank Limited (NIBL), and Standard Chartered Bank Limited (SCBL). The study focused on examining capital adequacy ratios, asset quality, management quality, earning ability, and liquidity of the selected banks. The findings indicated that SCBL ranked first overall, while NABIL ranked second. Additionally, NABIL demonstrated better asset quality compared to NIBL and SCBL, while NIBL showed consistent performance in maintaining cash reserve ratios.

Mandal (2019) conducted a comparative financial performance appraisal of joint venture banks, specifically analyzing NABIL, Everest Bank Limited (EBL), and Nepal Investment Bank Limited (NIBL). The study found that both NABIL and EBL effectively utilized debt funds to generate higher returns compared to NIBL. Additionally, the analysis of earning components revealed that Siddhartha Bank Limited (SVBL) scored highest in terms of capital adequacy ratio (CR), market price per share (MPS), and profit after tax. The study recommended enhancing banking facilities in rural areas and prioritizing local manpower development.

Bohara (2020) conducted a comparative study of the financial performance of NABIL and NIBL, focusing on liquidity, activity, and profitability indicators. The findings suggested that NABIL had better liquidity and capital adequacy positions compared to NIBL. However, NIBL exhibited better performance in terms of dividend per share

(DPS) and price-to-earnings (P/E) ratio. Overall, NIBL was found to be financially sound across various components of financial performance.

Giri (2021) explained a study on the CAMEL analysis of commercial banks, specifically Everest Bank Limited (EBL), Global IME Bank Limited (GIBL), and Nepal Industrial and Commercial Bank Limited (NIC). The study aimed to assess the capital adequacy, asset quality, management quality, earning capability, and liquidity position of the selected banks. The findings indicated that all banks successfully maintained the capital adequacy ratio as per regulatory standards, with GIBL having the highest CAR. Additionally, EBL demonstrated lower loan loss provision ratios and higher liquidity positions compared to the other two banks.

Karki (2022) conducted a comparative analysis of the financial performance of NABIL and Everest Bank Limited (EBL). The study aimed to evaluate the liquidity position of both banks, analyze their comparative financial performance, and offer suggestions for improvement. The findings revealed that EBL efficiently utilized its long-term funds to generate profits, while NABIL exhibited favorable liquidity positions. The study recommended NABIL to reduce excessive non-performing assets and invest in income-generating current assets, while EBL was advised to strengthen its liquidity position. Overall, EBL showed better profitability compared to NABIL.

2.4 Research Gap

The previous studies have primarily focused on specific aspects of commercial bank financial performance, such as profitability, sources of funds, income and expense trends, and dividend policies, this study aims to provide a comprehensive evaluation covering core financial performance indicators including tangibility, profitability, liquidity, bank size, and capital structure. By conducting a comparative analysis of Nepalese commercial banks, specifically NABIL, Standard Chartered Bank Nepal Limited (SCBNL), and Everest Bank Limited (EBL) over the period from 2013/014 to 2022/023, this study seeks to complement existing literature and offer a more comprehensive understanding of banking performance.

The objectives of this study differ from previous research, focusing specifically on the comparative financial performance of the selected banks, making it more specific, in-

depth, and comprehensive. Utilizing regression analysis, the study reveals that return on assets positively impacts earnings per share, fixed assets to total assets ratio, and loan and advance to total deposit ratio, while showing a negative impact on the number of branches and total debt to total assets ratio. Additionally, there is a positive impact of earnings per share on fixed assets to total assets ratio, but a negative impact on loan and advance to total deposit ratio, number of bank branches, and total debt to total assets ratio of the sample banks.

Moreover, the selected sample banks demonstrate stability, adequate capitalization, and profitability, remaining in a sound financial position throughout the study period. The findings suggest that return on assets and earnings per share significantly and positively influence the profitability performance of the sample banks, as evidenced by the significant results on tangibility and liquidity.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This study adopts a descriptive cum causal-comparative research design to investigate the financial performance of several Nepalese banks, including NABIL, SCBNL, NBL, RBBL, GIBL, and EBL, and to identify the various financial ratios that may impact their performance negatively. Descriptive designs are employed in preliminary and exploratory studies to facilitate the collection, summarization, presentation, and interpretation of information for classification purposes. These designs are primarily utilized in this study to describe the information or data collected through numerical means. Additionally, the causal-comparative design is employed to analyze the relationship between different variables and their overall performance. This approach allows for the examination of causal relationships among variables and the identification of potential factors influencing the banks' performance levels.

3.2 Population and Sample

In this study, a multistage sampling approach will be utilized for data collection. From the total of 20 commercial banks in Nepal as of 2081-2-27, the sampling frame will consist of six specific commercial banks: NABIL, SCBNL, NBL, RBBL, GIBL, and EBL. This selection strategy allows for a more manageable study in terms of resources while ensuring that the research objectives are adequately addressed.

The data collection and analysis procedures are structured to balance relevance to the research purpose with efficiency. Both analytical and descriptive designs are employed to fulfill the research objectives effectively. A research design serves as a blueprint for data collection and analysis, guiding the researcher toward achieving the study's goals. A well-designed research plan ensures that the information gathered is pertinent to the research questions and is obtained through objective and cost-effective methods. In this study, a descriptive research design has been adopted.

3.3 Nature of Sources of Data

Once the research design is established, the next step involves identifying the sources of relevant data for the study. Typically, this study relies on secondary data sources. Secondary data refers to information that has been collected by someone else or previously used and is made available for others' use, often in the form of published statistics such as annual reports, periodicals, newspapers, and magazines. Once secondary data is utilized, it loses its originality and is classified as secondary.

For this study, secondary data plays a crucial role, primarily drawn from annual reports of the targeted banks. However, in addition to annual reports, various other sources have been consulted, including plan documents, newspapers, magazines, economic journals, and reports from the Nepal Rastra Bank (NRB). These diverse sources contribute to a comprehensive dataset that supports the research objectives effectively.

3.4 Tools of Data Collection

To fulfill the study's objectives, two categories of data are gathered. The initial type comprises secondary data sourced from various publications, including those from the sample banks and the Nepal Rastra Bank Bulletin, issued by the country's central bank. Additionally, annual audited financial statements released by the respective banks, along with the yearly economic survey, contribute to this dataset. A ten-year average of ratios spanning from 2013/014 to 2022/023 is analyzed to evaluate the financial performance of commercial banks in Nepal.

3.5 Data Processing and Analysis

This study employs selected ratios based on a framework to illustrate the financial performance of commercial banks. These ratios are utilized to assess their significance levels. Additionally, an econometric multivariate regression model is applied to examine the impact of variables on the performance of Nepalese commercial banks. The study treats profitability ratios (such as ROA and CR) as dependent variables, while Leverage, Size, Tangibility, and Liquidity status are considered independent variables. In this equation, α represents the constant, β denotes the coefficient of variables, and ε stands for

the residual error of the regression. All calculations are conducted using the SPSS software program, with ordinary calculations carried out in Excel.

3.6 Data Analysis Tools

A. Measures of Dispersion

The average serves as a central value representing the entire series, but it does not provide insight into how scattered the values of items within the series are around this central value. Measures of dispersion are used to quantify this scatter. They indicate the extent to which individual values deviate from the average or central value. Important measures of dispersion include the range, mean deviation, and standard deviation.

These measures can be expressed in two ways. One method presents the absolute amount of deviation, while the other presents the relative amount of deviation. While absolute measurements are valuable, relative expressions of deviation offer valuable comparisons. Measures of dispersion expressed in the original units of a series are termed as "absolute measures," while relative measures are obtained as ratios or percentages, known as "coefficients," which are pure numbers independent of measurement.

Percentages of variation, known as coefficients of dispersion or coefficients of variation, indicate the degree of variation. Therefore, for the purpose of comparing variability, it is important to compute relative measures of dispersion.

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

An average is a numerical value that represents a group of values, providing insight into the characteristics of the entire group. Typically, the average value falls between the largest and smallest items in the group, serving as a central point of reference. This metric is commonly referred to as the simple average.

Where,

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

b) Standard Deviation (σ)

The standard deviation is the positive square root of the average sum of squares of deviations of observations from the arithmetic mean of the distribution. It's a widely used and valuable measure of dispersion, providing consistent and reliable results. Denoted by the small Greek letter sigma, standard deviation quantifies the absolute dispersion or variability within a distribution. The greater the variability or dispersion shows the larger the standard deviation, indicating more significant deviations of values from their mean. A small standard deviation suggests a high degree of uniformity and homogeneity within a series, whereas a large standard deviation implies the opposite. In this context, standard deviation is computed for selected dependent and independent variables outlined in the presented model.

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

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

c) Coefficient of variation (C.V)

The coefficient of variation (CV) is utilized to compare the variability of two or more series. A higher coefficient of variation indicates greater variability, less consistency, less uniformity, less stability, and less homogeneity within a series. Conversely, a lower coefficient of variation suggests less variability, more consistency, more uniformity, more stability, and more homogeneity. It is denoted by CV and is calculated as follows:

Where,

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

B. Correlation Analysis

Correlation analysis is a statistical method used to assess the strength of the relationship between two continuous variables. Researchers often employ this analysis to determine potential connections between variables. It's essential to note that correlation analysis doesn't establish causation; other factors not considered in the study could influence the results. When correlation exists between two variables, it indicates that changes in one variable correspond with changes in the other variable in a systematic manner over a specific period. Correlation values can range from -1 to +1, with positive values indicating a positive correlation and negative values indicating a negative correlation.

C. Regression Analysis

Regression analysis is a robust statistical technique that enables the exploration of relationships between multiple variables. Although various forms of regression analysis exist, they all fundamentally investigate how one or more independent variables affect a dependent variable. In this particular study, an explanatory research design was employed to elucidate the relationship between bank performance metrics, utilizing quantitative data extracted from banks' annual reports.

Model Specification

The empirical model is defined as shown below:

*The model (1) is: Projected (ROA) (Ÿ) = α + β1*CRR + β2*TD/TA + β3*TA/TL + β4 * Size + tn*

ROA = (α) Return on Assets: Dependent Variable

CRR= (β1) *Credit Risk Ratio : Independent Variable*

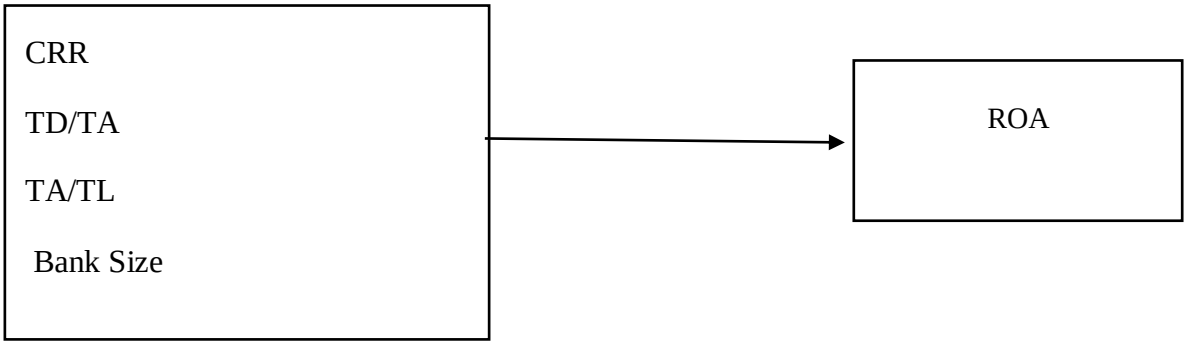
TD/TA=(β2) *Total Deposit to Total Assets Ratio: Independent Variable*

*TA/TL = (*β3) *Total Assets to Total Liabilities Ratio: Independent Variable*

*Size =(*β4Size(Total Number of Branches)*:Independent Variable*

The parameters of the models, denoted by β1, are integral to our analysis. Here, the index i ranges from 1 to 4, reflecting the examination of six commercial banks, while the index n spans from 1 to 6, corresponding to the ten-year period from 2013/14 to 2022/23.

3.7 Research framework and Research Variables



(Wardhani, Rosalina, Elvany, and Awaluddin (2021)

Cash Reserve Ratio (CRR) refers to a mandated minimum portion of customers' total deposits that commercial banks are required to maintain as reserves, either in cash or as deposits with the central bank. The CRR is determined by the central bank's directives and guidelines.

Total Deposit to Total Assets Ratio is a metric used to gauge the proportion of debt in a bank's capital structure. An excessively high ratio indicates heavy reliance on debt financing, which may pose risks such as third-party legal claims. Conversely, an extremely low ratio may impact shareholders' profitability adversely.

Total Assets and Total Liabilities encompass the entirety of a bank's financial holdings. Assets comprise cash, purchased items, and customer debts owed, while liabilities represent the total amount owed to creditors. Owner's equity, net worth, or capital is the difference between total assets and total liabilities.

Bank size is often quantified as the natural logarithm of a bank's total assets value, typically denominated in US dollars. Capital ratio is assessed through metrics like the Tier 1 ratio, which measures tier-1 capital relative to total risk-weighted assets.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This section delves into the examination of different financial indicators and variables. It revolves around the presentation and scrutiny of secondary data to draw conclusions and formulate recommendations.

4.1 Financial Performance analysis of Selected Banks

4.1.1 Return on Assets of Selected Banks

ROA, also known as profit-to-assets ratio, assesses the profitability of a firm's total investments. It signifies how effectively a company utilizes its assets to generate profit. A company that operates more efficiently will yield greater profits with its existing assets. Consequently, a high ROA reflects superior profitability, while a low ROA indicates the opposite.

Table 4.1*Return on Assets*

Fiscal Year	NBL	GIBL	NABIL	SCBNL	EBL	RBB
2013/014	0.13	0.12	2.56	2.51	1.97	1.78
2014/015	0.14	0.8	2.47	2.47	2.80	1.69
2015/016	0.12	0.83	2.43	2.8	2.11	1.45
2016/017	1.12	1.19	2.8	2.67	2.39	2.14
2017/018	1.45	1.5	2.89	2.51	2.25	1.98
2018/019	1.40	1.64	2.06	1.99	1.85	1.70
2019/020	1.92	1.59	2.32	1.98	1.59	1.95
2020/021	1.82	1.57	2.69	1.84	1.83	1.84
2021/022	1.80	1.97	2.61	2.61	1.97	1.75
2022/023	1.83	1.94	2.06	2.61	1.94	1.66
Average	**1.46**	**1.47**	**2.47**	**2.40**	**2.00**	**2.067**
S.D.	**0.34**	**0.37**	**0.28**	**0.34**	**0.23**	**0.24**
C.V	**24.04**	**25.08**	**11.46**	**14.01**	**11.29**	**12.45**

Source: Annual report of selected banks.

The table 4.1 shows that the return of assets ratio of NBL, GIBL, NABIL, SCBNL, EBL and RBBL respectively. The ten years study period shows that the Nabil Bank Limited and SCBNL of ROA is higher than EBL, NBL, RBB and GIBL respectively, that means NABIL and SCBNL have been properly utilizing its assets to increase the turnover than EBL, NBL, RBB and GIBL. High ratio indicates efficient utilization and less than 2 times indicates underutilization. As a result the GIBL, NBL, RBB and EBL banks are under utilization of own assets to compare to the NABIL and SCBNL. The risk analysis point of views, the standard deviation of GIBL, NBL and SCBNL is higher than NABIL, EBL and RBB. It shows GIBL, NBL and SCBNL banks are little bit more risk to invest by shareholders. Likewise, the C.V. of EBL and SCBNL are higher than NABIL, NBL, RBB and GIBL which shows that GIBL and RBB banks of ROA is more consistency than other banks. The return point of views, EBL and SCBNL are better than six banks.

4.1.2 Cash Reserve Ratio (CRR)

CRR, or Cash Reserve Ratio, refers to the portion of a bank's overall deposits that it must keep as liquid cash. These reserves are not subject to interest earnings, and banks are prohibited from utilizing them for investment or lending activities.

Table 4.2 ***Cash Reserve Ratio*** **in %**

Year	NBL	GIBL	Nabil	SCBNL	EBL	RBB
2013/014	15.20	17.12	16.20	19.30	13.15	15.20
2014/015	13.20	16.39	14.20	18.26	19.58	16.30
2015/016	14.20	15.30	16.30	16.39	16.30	17.25
2016/017	19.20	12.39	17.20	15.26	17.50	18.20
2017/018	8.25	10.27	15.20	18.25	16.20	14.20
2018/019	9.20	8.39	9.30	19.2	15.12	16.30
2019/020	6.29	7.26	8.25	12.0	16.39	18.25
2020/021	11.25	8.25	10.25	7.2	11.10	19.20
2021/022	17.25	10.20	11.26	10.5	10.23	16.30
2022/023	16.30	14.25	12.30	8.2	9.25	15.20
Mean	18.20	11.98	12.20	14.45	14.48	14.25
S.D.	2.25	3.61	3.52	4.63	3.40	3.25
C.V.	24.20	23.12	25.20	32.01	23.48	22.30

Source: Annual report of Selected Banks

Table 4.2 also prescribed in the cash reserve ratio of sample banks. The cash reserve ratio of the sample banks. NBL has 18.20 average cash reserve ratio, the highest average cash and reserve ratio is 18.20 and lowest 11.98. The standard deviation of CRR of NBL is 2.25, GIBL has 3.61, NABIL has 3.52, SCBNL has 4.63, EBL has 3.40 and RBBL has 3.25 respectively. The highest standard deviation is 4.63 and lowest S.D. is 2.25 which show the CRR of the sample banks SCBNL has high risk and NBL has low risk. The consistency point of views, RBBL bank seen more consistency to compare other sample banks and risky point of views, SCBNL shows the more risky than other sample banks. The C.V of SCBNL bank is 32.01 which is highest than other sampled banks.

4.1.3 Total Deposit to Total Assets

The deposit to total assets ratio assesses the significance of debt within the capital framework. Typically, an excessively high ratio of debt to total assets is disadvantageous for a business. Excessive debt exposes the company to legal claims from third parties. Conversely, a very low ratio of debt to total assets is also unfavorable from the perspective of shareholders, impacting their profitability.

Table 4.3 ***Total deposit to total assets*** ***in %***

FY	NBL	GIBL	NABIL	SCBNL	EBL	RBB
2013/014	85.12	87.14	90.45	88.14	90.284	79.256
2014/015	84.17	98.254	98.121	78.412	91.25	78.14
2015/016	84.145	93.284	98.405	89.694	91.803	90.123
2016/017	83.145	92.455	152.004	89.418	91.211	90.147
2017/018	70.451	90.354	90.486	89.998	91.016	88.010
2018/019	71.145	88.084	91.445	90.606	91.472	88.012
2019/020	78.457	89.595	90.437	88.066	91.136	87.451
2020/021	80.0145	89.455	81.163	84.201	88.706	84.120
2021/022	82.145	87.516	79.091	83.428	88.858	84.147
2022/023	84.125	82.766	80.819	81.201	76.182	78.145
Average	79.203	89.63	94.17	87.54	89.18	86.269
S.D.	3.11	3.13	21.30	3.43	4.74	4.20
C.V	3.70	3.49	22.62	3.92	5.31	5.47

Source: Annual report of selected banks.

Table 4.3 illustrates that commercial banks utilize their deposit funds by investing in various securities issued by the government and other financial and non-financial sectors. This ratio evaluates the banks' capability to invest their deposits in different securities. It is calculated by dividing the total debt by the total assets ratio. In comparison to the mean value, NABIL has a higher ratio than GIBL, EBL, SCBNL, RBB, and NBL. This indicates that NABIL has a higher percentage of total debt in relation to total assets, standing at 94.17% compared to other banks. GIBL and EBL show similar debt percentages, while SCBNL and RBB have slightly lower ratios over the ten-year period. NBL exhibits the lowest ratio over the same period. From a risk perspective, NABIL appears to be riskier for investment compared to the other sampled banks. However, GIBL demonstrates more uniformity in debt ratios compared to other banks over the ten-year period. This suggests that NABIL's investment policy is in a more favorable position compared to other banks.

4.1.4 Total Asset to total Loan and Advances

This ratio assesses how efficiently banks use total deposits for lending to generate profits. A higher ratio indicates better deposit mobilization, while a lower ratio suggests otherwise. However, excessively high ratios may pose liquidity risks. See the table below for the loan and advances to total deposit ratio of each bank.

Table 4.4 ***Total Asset to total Loan and Advances*** ***in %***

Fiscal Year	**NBL**	**GIBL**	**NABIL**	**SCBNL**	**EBL**	**RBB**
2013/014	49.01	45.20	45.20	75.36	80.25	75.25
2014/015	75.25	66.30	69.25	68.50	65.30	66.28
2015/016	55.20	74.20	75.20	75.20	55.20	70.28
2016/017	45.20	56.30	65.20	66.30	63.45	65.25
2017/018	48.69	42.30	45.20	77.36	67.45	66.39
2018/019	68.33	67.25	66.45	71.82	65.20	77.25
2019/020	77.44	85.20	87.45	75.37	64.25	55.60
2020/021	72.07	69.30	60.25	80.50	76.20	74.12
2021/022	79.34	65.20	63.52	85.10	69.58	58.20
2022/023	89.3	78.20	74.25	88.31	56.30	66.30
Average	69.17	56.30	54.12	79.12	69.50	80.45
S. D.	15.34	13.20	15.20	14.87	16.30	68.12
C.V	22.18	21.30	19.23	18.42	19.25	16.20

Source: Annual Report of Concern Banks

The table 4.4 shows the Total Asset to total Loan and Advances of NBL, GIBBL, NABIL, SCBNL, EBL and RBBL. The ratio of all sampled banks has fluctuating trend. The highest average ratio is 8045 of RBBL and lowest total assets to total loan and advance ratio is 54.12. Therefore, RBBL has highest standard deviation which is 68.12 where the lowest standard deviation is 13.20 of GIBL. The C.V. of sample banks are 22.18, 21.30, 19.23, 18.42, 19.25, 16.20 of NBL, GIBL, NABIL, SCBNL, EBL and RBBL respectively. This is indicates that the NBL has highest C.V and RBBL has lowest, RBBL is more consistency than other samples.

Table 4.5 ***Size of Selected Banks*** ***in %***

FY	NBL	GIBL	NABIL	SCBNL	EBL	RBB
2013/014	64	63	50	13	45	56
2014/015	58	57	54	16	41	42
2015/016	57	56	49	15	48	40
2016/017	58	56	52	15	54	78
2017/018	60	56	51	15	53	77
2018/019	67	56	82	12	65	80
2019/020	67	62	74	12	61	84
2020/021	71	62	55	12	65	88
2021/022	76	72	55	12	82	92
2022/023	78	88	55	15	94	91
Average	66.75	62.0	56.9	13.7	62.9	78.75
S. D.	12.14	10.9	12.4	1.5	15.3	16.12
C.V	18.01	17.5	21.7	10.9	24.3	25.45

Source: Annual report of selected banks.

The table 4.5 depicts that, the RBB, NBL, EBL and GIBL seen more number of branches than SCBNL and NABIL in past ten years period. The interpretation point of views, RBB is being the higher number of branches bank to compare other sample banks while SCBNL is being the lower number of branches banks in ten years period.

4.1.6 Descriptive Analysis

In this section, the relationship between Leverage, Liquidity, Tangibility, and Size of banks with Return on Assets (ROA) and Earnings per Share (EPS) is examined individually for each sampled listed bank. ROA and EPS are considered as dependent variables, while Total Deposit to Total Assets (TD/TA), Total Assets to Total Liabilities (TA/TL), and bank size are taken as independent variables. Correlation analysis is conducted to assess the relationship between Leverage, Liquidity, Tangibility, Size, ROA, and EPS. Simple correlations and coefficients of determination are computed to understand the effect of these variables on ROA and EPS.

Multiple regression analysis is employed to determine the impact of Leverage, Liquidity, Tangibility, and Size of Banks on ROA and EPS. Regression equations are derived to identify the magnitude of the effects of the independent variables on the dependent variables. Multiple correlation coefficients and coefficients of determination are analyzed during both correlation and regression analyses.

Descriptive statistics provide insights into the data for ROA, EPS, TD/TA, TA/TL, TD/TA, and bank size over ten years and six commercial banks from 2013/014 to 2022/023. Mean values, standard deviations, ranges, and minimum and maximum values for each sector are computed through descriptive analysis.

Table 4.6: ***Descriptive Statistics***

	ROA	CRR	TD/TA	TA/TL	SIZE
Mean	2.0211	49.5867	1.0967	71.0500	48.0444
Std. Deviation	.12908	11.95446	.29640	7.31867	7.74130
Range	.39	30.24	.95	22.27	25.40
Minimum	1.78	31.58	.81	61.68	36.80
Maximum	2.17	61.82	1.76	83.95	62.20

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

Table 4.6 presents the descriptive statistics of various financial indicators over the study period. The Return on Assets (ROA) shows a mean ratio of 2.0211%, with a minimum value of 1.78% and a maximum value of 2.17%, indicating a range of 0.39%. The standard deviation for ROA is 0.129%, reflecting the variability of ROA over the ten-

year period. Similarly, the Capital Ratio (CR) has a mean of 49.5867%, ranging from a minimum of 31.58% to a maximum of 61.82%, with a range of 30.24%. The standard deviation for CR is 11.96%. The Fixed Assets to Total Assets Ratio has a mean of 1.0967%, with a minimum value of 0.81% and a maximum of 1.71%, indicating a range of 0.95%. The standard deviation for this ratio is 0.297%. The Loan and Advance to Total Deposit Ratio has a mean of 71.05%, ranging from a minimum of 61.68% to a maximum of 83.95%, with a range of 22.27%. The standard deviation for this ratio is 7.32%. Regarding the Size variable (Number of Branches), the mean ratio is 48.044%, with a minimum value of 25.40% and a maximum of 62.20%, showing a range of 36.80%. The standard deviation for Size is 5.99%. Lastly, the Total Debt to Total Assets Ratio has a mean of 89.92%, ranging from a minimum of 81.18% to a maximum of 102.92%, with a range of 21.74%. The standard deviation for this ratio is 5.99%. These descriptive statistics provide insights into the variability and distribution of financial indicators across the sampled banks over the study period.

Table: 4.7 Correlations *Matrix*

		ROA	CR	TD/TA	TA/TL	Size
ROA	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	10				
CR	Pearson Correlation	-.251	1			
	Sig. (2-tailed)	.514				
	N	10	10			
TD/TA	Pearson Correlation	.498	-.104	1		
	Sig. (2-tailed)	.173	.791			
	N	10	10	10		
TA/TL	Pearson Correlation	.699*	-.764*	.510	1	
	Sig. (2-tailed)	.036	.016	.160		
	N	10	10	10	10	
Size	Pearson Correlation	.197	-.846**	.258	.669*	1
	Sig. (2-tailed)	.612	.004	.502	.049	
	N	10	10	10	10	10

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

Table 4.7 presents the correlations among the study variables, with ROA and CR analyzed separately. The results indicate a negative correlation between ROA and CR, with a coefficient of 0.251. This suggests that as sample banks accumulate more profit and maintain optimal capital, ROA tends to decrease. However, the corresponding p-

value of 0.514 exceeds the significance level of 0.05, indicating that this relationship is not statistically significant. On the other hand, TD/TA shows a positive correlation of 0.498 with ROA, indicating that sample banks effectively manage their fixed assets to total assets ratio, which enhances their asset quality. However, the corresponding p-value of 0.173 also exceeds the significance level, indicating no statistically significant relationship between TD/TA and ROA. Similarly, TA/TL exhibits a positive correlation of 0.699 with ROA, suggesting a direct relationship between loan and advance to total deposit ratio and ROA. This relationship is statistically significant, as the p-value of 0.036 is less than the significance level of 0.05. However, the size of banks shows a positive relationship with ROA but lacks statistical significance. Finally, ROA shows a negative correlation of 0.110 with total debt to total assets ratio, indicating that as this ratio increases, ROA tends to decrease. However, the corresponding p-value of 0.779 exceeds the significance level, indicating no statistically significant relationship between total debt to total assets ratio and ROA.

Table: 4.8 ***Model Summary***

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

a. Predictors: (Constant, ROA), CR, TD/TA, TA/TL, and Size

Table 4.8 shows that the regression model with ordinary least square (OLS) can be used. Similarly, the R-Square which is often referred to as the coefficient of determination of the variables is 89.3%. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 89.3% of the variability the Return on Assets of sample commercial banks.

Table: 4.9*ANOVA Tests*

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

a. Dependent Variable: ROA

b. Predictors: (Constant), CR, TD/TA, TA/TL, and Size

The table 4.9 presents the regression results with VIF test and F test of the model's goodness of fit. Findings from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in above table, indicates that, the F statistic value about 5.028 and a p-value is also 0.107 which is ≥0.05.Since the VIF statistic is less than 10 for each independent variable, there is no Multi-co linearity among the independent variables.

Table: 4.10 *Coefficient Analysis*

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

a. Dependent Variable: ROA

This implies that the model explains approximately 89.3% of the systematic variation in the dependent variable. In other words, about 89.3% of the fluctuations in Return on Assets (ROA) of the selected commercial banks are explained by the model, while the remaining 10.7% of the variation in ROA is not accounted for by the model, possibly due to the influence of other unobserved variables. The regression coefficient of Earning per share (CR) is 0.001, indicating that a one-unit increase in earnings per share leads to a 0.1% increase in the average ROA. However, the corresponding p-value of 0.823 exceeds the significance level of 0.05, suggesting no statistically significant relationship between ROA and CR for the selected banks. Similarly, the regression coefficient of Fixed Assets to Total Assets ratio (TD/TA) is 0.020, indicating that a one-unit increase in the fixed assets to total assets ratio results in a 2% increase in the average ROA. However, the

corresponding p-value of 0.881 is above the significance level, indicating no statistically significant relationship between ROA and TD/TA. On the other hand, the coefficient of Loan and Advance to total deposit ratio (TA/TL) is 0.26, suggesting that a one-unit increase in the loan and advance to total deposit ratio leads to a 26% increase in the average ROA. The corresponding p-value of 0.037 is less than the significance level, indicating a statistically significant relationship between ROA and TA/TL for the sampled banks. Additionally, the coefficient of the Number of branches is -0.003, indicating that a one-unit increase in the number of branches results in a 0.3% decrease in the average ROA. However, the corresponding p-value of 0.624 exceeds the significance level, indicating no statistically significant relationship between ROA and the size of banks. Lastly, the coefficient of Total deposit to total assets is 0.016, suggesting that a one-unit increase in the total deposit to total assets ratio leads to a 1.6% decrease in the average ROA. The corresponding p-value of 0.096 is below the significance level, indicating a statistically significant relationship between ROA and total debt to total assets for the banks in question.

4.2 Major findings

- The loan and advance perspective reveals that GIBL bank is riskier compared to other sampled banks. NABIL has shown a higher percentage of total debt on total assets, indicating higher risk compared to other banks.
- From an interpretation standpoint, EBL has the highest number of branches among the sampled banks, while SCBNL has the lowest number of branches over the ten-year period. In terms of consistency, NBL branches appear to be more consistent than those of other sampled banks.
- Descriptive statistics indicate that the mean return on assets (ROA) over the study period is 2.0211%, with a minimum value of 1.78% and a maximum value of 2.17%, representing a range of 0.39%. The mean for cash reserve (CR) is 49.5867%, ranging from a minimum of 31.58% to a maximum of 61.82%, with a range of 30.24% and a standard deviation of 11.96%.
- Fixed assets to total assets ratio has a mean of 1.0967%, ranging from 0.81% to 1.71%, with a range of 0.95% and a standard deviation of 0.297%. The loan and

advance to total deposit ratio has a mean of 71.05%, ranging from 61.68% to 83.95%, with a range of 22.27% and a standard deviation of 7.32%.

- The relationship between ROA and CR shows a negative correlation of 0.251, indicating that as accumulated profits and optimal capital increase, ROA decreases. However, this correlation is not statistically significant, with a p-value of 0.514. Conversely, ROA is positively correlated with TD/TA at 0.498, suggesting effective management of fixed assets to total assets, but this correlation is also not statistically significant (p-value = 0.173).
- The relationship between TA/TL and ROA is positive at 0.699, indicating a direct relationship between loan and advance to total deposit ratio and ROA. This relationship is statistically significant (p-value = 0.036). Size of banks shows a positive relationship with ROA, but it is not statistically significant.
- For the cash reserve (CR), the regression coefficient for ROA is 12.704, suggesting that a 1% increase in ROA results in an increase of Rs. 1270.4 in CR.
- However, this relationship is not statistically significant, with a p-value of 0.832. The coefficient for fixed assets to total assets ratio (TD/TA) is 12.305, indicating that a 1% increase in TD/TA leads to an increase of Rs. 1230 in CR, but this relationship is also not statistically significant.
- The coefficient for loan and advance to total deposit ratio (TA/TL) is -1.012, indicating that a 1% increase in TA/TL leads to a decrease of Rs. 101.2 in CR. Similarly, the coefficient for the number of bank branches is -0.720, suggesting that a 1% increase in the number of branches results in a decrease of Rs. 72 in CR.
- Finally, the coefficient for total debt to total assets is 0.220, indicating that a 1% increase in total debt to total assets leads to a decrease of Rs. 22 in CR. However, none of these relationships are statistically significant.

CHAPTER-V

SUMMARY, CONCLUSIONAND RECOMENDATIONS

5.1 Summary

The aim of this research is to assess the financial performance of seven commercial banks, including NABIL Bank Limited, Standard Charter Bank Nepal Limited, Bank of Kathmandu Limited, Everest Bank Limited, Nepal Bank Limited, and Rastriya Banijya Bank Limited, over the period from 2013/014 to 2022/023. This study employs quantitative analysis, focusing on various financial metrics commonly used to gauge bank performance. Key ratios examined include profitability, liquidity, tangibility, size, and capital structure, all of which serve as reliable indicators of bank performance.

Furthermore, aggregate correlation and regression analyses are conducted to evaluate the significance of variables such as Return on Assets (ROA), Cash Reserve (CR), Size, Total Debt to Total Assets (TD/TA), Total Assets to Total Liabilities (TA/TL), and Total Debt to Total Assets (TD/TA) across the seven banks. The study reveals a notable overall improvement in the financial performance of the selected banks over the ten-year period.

Descriptive statistical analyses are utilized to rank the banks' performances, assessing dispersion and stability-variability indicators. Additionally, the research assesses the financial stability of each bank by computing relevant ratios. The performance of each bank is then ranked based on mean values, standard deviations, coefficients of variation, and overall stability. The findings suggest that the selected banks generally performed well during the study period, with Everest Bank Limited demonstrating higher levels of liquidity, tangibility, profitability, and size compared to others.

The study found a negative correlation between Return on Assets (ROA) and Cash Reserve (CR), indicating no significant relationship between them. However, ROA was positively correlated with Total Assets to Total Liabilities (TA/TL) and bank size, although statistically insignificant. Regression analysis revealed that ROA positively influenced Earning per Share (CR), Fixed Assets to Total Assets ratio (TD/TA), and Loan and Advance to Total Deposit ratio (TA/TL), while negatively affecting the number of branches and Total Debt to Total Assets ratio. Conversely, CR positively impacted

Fixed Assets to Total Assets ratio but negatively impacted Loan and Advance to Total Deposit ratio, number of branches, and Total Debt to Total Assets ratio. Overall, the study concluded that the sample banks maintained stability, adequate capitalization, and profitability, with ROA and Earning per Share significantly influencing profitability, particularly in terms of tangibility and liquidity.

5.2 Conclusion

In conclusion, the study delved into an extensive analysis of the financial performance of several prominent Nepalese commercial banks over a ten-year period. Through descriptive statistics and regression analysis, various factors such as Return on Assets (ROA), Cash Reserve (CR), Total Debt to Total Assets ratio (TD/TA), Total Assets to Total Liabilities ratio (TA/TL), and bank size were scrutinized to gauge their impact on profitability and overall stability.

One significant finding of the study was the lack of a statistically significant relationship between ROA and CR, TD/TA, or TA/TL. However, a positive correlation was noted between ROA and TA/TL, suggesting that banks with a higher ratio of total assets to total liabilities tended to exhibit better profitability, although this relationship did not reach statistical significance. Additionally, while bank size demonstrated a positive relationship with ROA, this relationship was not statistically significant, indicating that larger banks did not necessarily outperform smaller ones in terms of profitability.

The regression analysis revealed that ROA positively influenced Earning per Share (CR), Fixed Assets to Total Assets ratio (TD/TA), and Loan and Advance to Total Deposit ratio (TA/TL). Conversely, ROA had a negative impact on the number of branches and Total Debt to Total Assets ratio, suggesting that a higher ratio of loans and advances to total deposits positively affected profitability, while excessive debt and a larger number of branches negatively impacted profitability.

Overall, the study painted a picture of stability, adequate capitalization, and profitability within the Nepalese commercial banking sector. These findings underscore the importance of factors such as asset quality, liquidity, and capital adequacy in driving profitability and ensuring the soundness of financial institutions. Policymakers and stakeholders can leverage these insights to formulate strategies aimed at enhancing the

financial performance and stability of Nepalese commercial banks, thereby fostering sustainable growth and development within the sector.

5.3 Recommendation

In essence, the conclusion underscores the pivotal role of the banking sector in supporting the broader financial system, especially amid the challenges posed by global economic integration and liberalization. To maintain relevance and competitiveness, Nepalese banks and financial institutions must innovate and diversify their product offerings while leveraging emerging technologies. Compliance with regulatory standards set by the Nepal Rastra Bank (NRB) is paramount for ensuring operational integrity.

The observation of a high tangibility ratio above regulatory thresholds suggests potential inefficiencies in resource utilization, which could impede future profitability. Effective liquidity management, guided by NRB directives, is crucial for optimizing resource allocation and directing funds towards sectors with growth potential. Aggressive marketing strategies are essential for attracting deposits, while strategic talent acquisition and retention are vital for navigating competitive pressures.

Strategies to enhance commercial bank performance encompass prioritizing customer service excellence, fostering deposit growth, and maintaining asset quality. Diversification of investments into government securities and underserved sectors can mitigate risks and drive sustainable growth. Moreover, liberal lending practices, prudent credit allocation, and innovative marketing approaches are instrumental in fostering resilience.

A strategic emphasis on rural banking and national development, facilitated by branch expansion, promotes financial inclusion and contributes to broader economic prosperity. Investing in human capital development is essential for nurturing a globally competitive workforce, with a focus on motivation, retention, and skill enhancement. Finally, optimizing service efficiency and cultivating a supportive work environment are crucial for continual performance enhancement.

In essence, the implications underscore the importance of proactive measures to address evolving market dynamics and position Nepalese banks for sustained growth and resilience in an increasingly competitive landscape.

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CHAPTER-I INTRODUCTION 1.1 Background of the Study

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

(Metcalf &Tatar, 1996). The survival, development, and prosperity of any organization depend on numerous factors, all of which require prime attention. Among these, a crucial determinant for effective business operations is the financial management system. Efficient utilization of financial resources is essential for achieving organizational goals. Therefore, analyzing accounting and financial statements becomes imperative to assess the financial health of an organization and determine necessary measures. With the liberal economic policies adopted by governments in recent years, many private banks have emerged, while foreign joint venture banks have gained competitive advantages. Studies by McKinnon (1973) and Levine (1997) have highlighted the role of an effective financial system in reducing information and transaction costs, influencing savings rates, investment decisions, technological innovations, and ultimately economic growth. Additionally, as noted by Zeinab (2006), banking systems in underdeveloped countries are vital components of economic systems and crucial for development efforts. Financial performance is the assessment of an organization's policies and operations in terms of monetary value, gauging factors such as profitability, liquidity, and leverage. This evaluation

allows decision-makers to objectively measure **the** outcomes **of business strategies and activities**

. Typically, financial ratios are utilized for this assessment, offering a straightforward depiction of a firm's performance over time and aiding in managerial decision-making (Padachi, 2006). A robust

financial management system **is expected to contribute positively to a firm's value**

creation. The capital adequacy ratio serves as a critical indicator of a bank's health, ensuring its ability to absorb potential shocks. This ratio is crucially determined by the sufficiency of equity to cover the bank's risk-weighted exposures (Kosmidou, 2008). Credit risk, a primary concern for banks, is assessed by analyzing asset quality and the likelihood of borrowers fulfilling loan obligations. The quality of assets held by a bank directly influences its credit risk exposure. Evaluation of a company's performance, as emphasized by Ho and Zhu (2004), focuses on operational effectiveness and efficiency, directly impacting its survival. Commercial banks, acting as financial intermediaries, play pivotal roles in providing lending and deposit services, crucial for payment, liquidity, and credit intermediation. This financial infrastructure is essential for economic health and growth, with both financial intermediaries and markets playing vital roles in economic development (Narayan, 1976). Banks are instrumental in mobilizing savings for investment, serving as the backbone of any economy by collecting deposits and disbursing funds primarily through loans. Studies highlight that various forms of urban financial investments, including bank deposits, shares, and securities, contribute significantly to economic growth (Narayan, 1976). Mudra-SAMIR's (1992) research indicates that working women in urban India save a considerable portion of their earnings, with access to low-cost deposits enabling banks to provide funding to corporations at competitive rates (Pathak, 2005). Banks engage closely with customers, gathering essential information during funding processes, and establish agreements beneficial to both parties, contrasting with capital markets where investments rely on investor knowledge, posing greater risk. Research indicates that savings gravitate towards banks despite other investment avenues. In Nepal, financial institutions, classified by the NRB into commercial banks (Type A), development banks (Type B), financial companies (Type C), and microfinance institutions (Type D), play pivotal roles in the economy. Commercial banks, including public, private, and

joint ventures, mobilize deposits and extend loans, with 21 commercial banks, 17 development banks, and 17 finance companies currently operating. 1 They offer services like remittance, cards, letters of credit, and bank guarantees. Their role in managing savings and investments is crucial for economic development, facilitating investments in agriculture, trade, industry, and marginalized sectors, thereby fostering national economic growth. However, Nepal's financial sector faces challenges necessitating strategic planning and policies for the coming decade. The NRB, as the central bank, is tasked with ensuring stability, soundness, and public trust in the banking system through effective regulation, supervision, and control. 1.2 Profile of the Selected Joint Venture Banks A) Nepal Bank Limited (NBL) Established in 1937, Nepal Bank Limited (NBL) pioneered formal banking in Nepal, inaugurated by King Tribhuvan. Despite initial challenges in raising funds, NBL secured NPR 842,000 out of NPR 2,500,000 in equity shares in its first year, with deposits totaling NPR 1,702,025 and loans disbursed amounting to NPR 1,985,000. Initially a joint venture between the government and the private sector, NBL began with an authorized capital of NPR 10 million, issued capital of NPR 2.5 million, and paid-up capital of NPR 842,000, with 10 shareholders. Over time, NBL expanded its network to 211 branches nationwide, offering a range of banking services, including deposit facilities, loans, ABBS services, internet banking, and ATM facilities. (B) Nabil Bank Limited (NABIL) Nabil Bank Limited, established in July 1984, is Nepal's first private sector bank. It aims to provide modern banking services to all sectors of society, boasting 74 points of representation and over 1500 Nabil Remit agents nationwide. With a focus on customer satisfaction, Nabil is renowned for introducing innovative products and marketing concepts, setting a benchmark in Nepal's banking history. Managed by a highly qualified team, the bank prioritizes modern technology and international standard banking software to support E-channels and transactions. Nabil's mission is to be the "1st Choice Provider of Complete Financial Solutions," emphasizing excellence across multiple areas, encapsulated in its brand promise, "Together Ahead." The bank's values underscore its commitment to being customer-focused, result-oriented, innovative, synergistic, and professional. 2 C) Standard Chartered Bank Nepal Limited (SCBNL) Standard Chartered Bank Nepal Limited commenced operations in 1987 as a joint- venture entity, now owned 75% by the Standard Chartered Group and 25% by the Nepalese public, making it the largest international bank in Nepal. With over 150 years of banking experience, Standard Chartered operates in over 70 countries, employing nearly 87,000 individuals from diverse backgrounds. In Nepal, the bank operates through 15 branches, 23 ATMs, and employs over 450 local staff, offering a wide range of banking products and services to individuals, local and multinational corporations, government entities, and various organizations. Leveraging its global network, Standard Chartered Bank Nepal provides international banking services domestically. D) Everest Bank Limited (EBL) Everest Bank Limited (EBL), established on October 18, 1994, aims to provide professional banking services across Nepal to contribute to the country's economic development.

As a joint venture with Punjab National Bank (PNB) **of India**

, renowned for its century-old tradition of successful banking and modern procedures, EBL benefits from PNB's expertise under a technical services agreement. EBL operates with the goal of offering comprehensive banking services to both businesses and individuals. E) Global IME Bank Ltd. (GIBL) Global IME Bank Ltd. (GIBL) was formed through the merger of several financial institutions, including Global Bank Ltd., IME Financial Institution, Lord Buddha Finance Ltd., Social Development Bank, GulmiBikas Bank, Commerz and Trust Bank Nepal Ltd., Pacific Development Bank Limited, Reliable Development Bank Limited, Hathway Finance Limited, Janata Bank Nepal Limited, and Bank of Kathmandu. Established in 2007, Global Bank Limited initially operated as an 'A' class commercial bank with a paid-up capital of NPR 1.0 billion, later increased to NPR 35.77 billion. GIBL is now the largest bank in Nepal, offering a wide range of banking services and publicly traded on the Nepal Stock Exchange. F) Rastriya Banijya Bank Limited (RBBL) Rastriya Banijya Bank Limited (RBBL) has been a cornerstone of banking services in Nepal for over fifty years. Initially government-owned, RBBL was established on 3

January 23, 1966, under the "Rastriya Banijya Bank Act, 2021," operating as a commercial bank until it was re-registered as a public limited company on May 19, 2006. Currently licensed as an "A" class financial institution by Nepal Rastra Bank, RBBL continues to provide essential banking services nationwide. 1.3 Focus of the Study Financial performance serves as an evaluative metric indicating a firm's efficiency in utilizing assets within its core operations to generate revenue. It serves as a comprehensive gauge of a firm's financial well-being during a specified timeframe. Analysts and investors leverage financial performance metrics to assess and compare firms within the same industry or to make industry-wide or sector-wide comparisons. This study will primarily delve into conducting an in-depth analysis of the financial performance of joint venture commercial banks, aiming to provide insights into their operational efficiency, revenue generation capabilities, and overall financial health. 1.4 Statement of Problem The Nepalese commercial banking industry is in a developmental phase, operating under the regulatory framework established by the Rastra Bank of Nepal, the country's central bank. While financial performance in banking is encouraged for its role in channeling funds towards productive endeavors, it also entails credit risk due to the potential default of borrowers. Notably, Nepalese banks grapple with mounting non-performing assets (NPAs), posing significant challenges to the sector. This study aims to address the issues plaguing the banking sector, particularly commercial banks, by investigating the following key questions: ? What is the current status of financial performance of Nepalese Commercial banks in Nepal? ? What are the relationship between financial performance and profitability of Nepalese Commercial banks? ? What is the impact of liquidity, leverage, tangibility and size of performance of Nepal of Nepalese Commercial banks? 1.5 Objective of Study The main objectives of the study are to analyze the financial performance management adopted by the sample bank with view to provide workable suggestion. Therefore the main objective of the study is to find out the financial performances management position of the sample banks. The main objective of this study is to analyze the financial performance of Nepalese Commercial banks in Nepal and other specific objectives are as follows. For above purpose the following points has considered in the research. ? To analyze the current status of

financial performance of Nepalese Commercial banks in Nepal. ? To examine the relationship between **financial performance** and profitability **of** Nepalese Commercial **banks. ? To** explore **the** impact **of**

liquidity, leverage, tangibility and size of performance of Nepal of Nepalese Commercial banks. 1.6 Rationale of the Study The significance of this study lies in its ability to provide financial performance analysis to the management and owners of the selected banks. Through this analysis, they can identify both strengths and weaknesses within their operations and strategize on potential improvements based on the suggestions and recommendations outlined in the report. Additionally, they can compare their performance with that of their competitors, as the selected banks share similarities in structure, size, capital, and services offered. Moreover, shareholders stand to benefit from the report as they are keen on the present and future profitability of the banks, as it directly impacts their earnings and the safety of their investments. Debenture holders also have an interest in the report, particularly regarding the bank's capability to pay interest on their investments. Employees of the banks can utilize the report to gauge their performance-related bonuses and incentives, comparing them with other banks in the industry. Finally, depositors, customers, and the general public can benefit from the report by making informed decisions about which banks to engage with for their banking transactions. 1.7 Limitation of Study Like any research endeavor, this study is not without its limitations. Among them, the reliability of the statistical tools employed poses a significant concern. Additionally, a lack of prior research experience represents a notable limitation. Other potential limitations include: ? This study only analyzes the last ten years data i.e. from 2013/014 to 2022/023. ? The study is based on secondary data's. However, the study has to depend more on the secondary data taken from the annual reports, internet website of the banks. Similarly, on the other bank related magazines and journals. Therefore, the reliability of the conclusions

depends on the accuracy of the pooled secondary data. ? The study covers past and present state of the financial performance of commercial banks in Nepal. Hence, it does not make any projections about its future. ? This study takes only six commercial banks among the twenty commercial banks. 1.8 Chapter Plan This study is structured into five chapters. The first chapter, the introduction, provides an overview of the main topic, including the background, statement of the problems, objectives, and organizational framework. The second chapter reviews existing relevant literature, encompassing conceptual reviews from books, journals, articles, and both published and unpublished research works, along with a discussion on relevant legal frameworks such as the security act. The third chapter, Research Methodology, outlines the research approach adopted in this study, detailing the size, shape, and methods employed. Various financial and statistical tools and techniques utilized for data analysis are defined within this section. In the fourth chapter, Presentation and Analysis of Data, the collected data is extensively analyzed and interpreted using diverse financial and statistical tools. This chapter elucidates the key findings derived from the analysis. The fifth and final chapter, summary, conclusion, and recommendation, encapsulates the study's summary, conclusion, and recommendations based on the findings. The thesis concludes with a bibliography and appendix sections. CHAPTER-II LITERATURE REVIEW A literature review offers a comprehensive examination of previously published works related to a specific subject. It can encompass a full scholarly paper or a section within a scholarly work, such as a book or an article. Regardless of its form, the primary aim of a literature review is to furnish the researcher or author, as well as the audience, with a comprehensive understanding of the existing knowledge pertaining to the topic at hand. A well-executed literature review is instrumental in ensuring the formulation of a precise research question and the selection of an appropriate theoretical framework. Essentially, a literature review serves to position the current study within the broader body of relevant literature and to provide valuable context for the reader. 2.1 Conceptual Review This chapter delves into both theoretical and empirical literature concerning the financial performance management of Nepalese commercial banks. It concludes by summarizing the literature and identifying the research gap that the study aims to address. Generally, a bank is an institution that handles money, currency, and precious metals. It accepts deposits in various forms from savers and provides funds to those in need under different terms and conditions, including interest rates and repayment terms. In return for the funds received, banks pay interest to depositors and charge various fees and levies, such as processing fees, commissions, and interest, to borrowers. Additionally, banks offer services such as bill discounting, guarantees, letter of credit issuance, investment in securities, and underwriting securities. The term "bank" originates from the Italian word "Banco," which means bench. Historically, individuals involved in money transactions conducted their business while seated on benches, leading to the term "Banco," which evolved into "bank" over time (Timsina, 2014). 2.1.1 Financial Performance Financial performance analysis is considered fundamental to financial decision-making within an organization. The success and progress of any enterprise are directly impacted by its financial policies. The objective of such analysis is to assess the effectiveness and 8 efficiency of a firm's management, as evidenced by its financial records and reports. Financial management is intricately involved in tasks such as

record-keeping , securing **necessary funds, and maintaining** relationships **with** banks and **other financial institutions** . As a crucial **aspect of**

financial management, financial performance serves as a primary indicator of a firm's success or failure (Khan and Jain; 1991). The

financial condition of a **business should be** robust **from the** perspectives **of shareholders, debenture holders, financial** institutions, **and** the **nation as** a **whole**

. Analysts aim to measure a firm's liquidity, profitability, and other indicators to ascertain whether business operations are conducted in a rational and systematic manner. Any deviations from financial norms or logical data relationships prompt analysts to investigate and potentially raise concerns with

management (Hampton, 2006). Financial statement analysis involves examining the relationships within a set of financial statements at a given point in time

, as well as identifying trends in these relationships over time. It aids in

identifying the financial strengths and weaknesses of a firm by establishing relationships between items on the balance sheet and the profit and loss account (Foster, 2002). Ratio analysis emerges as a powerful and extensively utilized tool in financial analysis

. It involves the systematic use of ratios to interpret financial statements, enabling the determination of a firm's strengths, weaknesses, historical performance, and current financial condition. Financial management encompasses raising funds, investing them in assets, distributing returns earned from assets to shareholders, and balancing cash outflows and inflows (Pandey, 1999). Financial ratios, categorized into liquidity, debt, profitability, and coverage ratios, offer valuable insights for financial analysis, managerial control, and understanding the expectations of external capital providers. However, their meaningful interpretation relies on comparative analysis and the expertise of the financial analyst employing them (Khan & Jain, 1991). 2.1.2 Purpose of Financial Analysis Financial analysis involves examining the relationships between various financial factors to identify the strengths and weaknesses of a firm, aiding in forecasting future earnings. It 9 has become increasingly important in evaluating the true value of a going concern, a key assumption in fundamental accounting principles (Kereta, 2009). Financial statements are commonly analyzed using financial tools, with financial ratios being one of the primary tools utilized. Ratios represent numerical and quantitative relationships between two variables, often calculated from balance sheets and profit and loss accounts (Kereta, 2009). The analysis of financial statements assists in evaluating the financial position and profitability of a business. It involves interpreting the information contained in financial statements to provide a comprehensive diagnosis of profitability and financial health. Decision-makers benefit from financial analysis by identifying favorable situations within a business. Financial analysis also enables comparisons over time, across different companies, against industry standards, or predetermined benchmarks. Its main objectives include assessing the present and future earning capacity, operational efficiency, short and long-term solvency, comparative performance against competitors or industry standards, and potential for future development through forecasting and budgeting (Paul; 1996). In summary, financial statement analysis aims to evaluate a firm's profitability, operational efficiency, solvency, comparative performance, and potential for future growth, offering valuable insights to decision-makers. 2.1.3 Uses/Importance of Financial Performance Analysis The financial statement contains valuable information that serves various stakeholders. These include: A) Owners Business owners contribute funds for the operation of their businesses and are interested in ensuring that these funds are effectively utilized. Financial statements, prepared periodically, address their concerns and provide insights into the utilization of their investments (Helfert, 1992). B) Creditors Before extending loans or credit, creditors seek to assess the financial standing of a business. Financial statements play a crucial role in aiding creditors to evaluate this position (Helfert, 1992). C) Employee Employees are keen on understanding the financial status of the organization they work for, especially when bonuses are tied to profits. They rely on accurate financial statements, particularly the profit and loss account; to ensure the correctness of the bonuses they receive (Helfert, 1992). D) Managers Management involves effectively directing the efforts of subordinates to accomplish tasks. To ensure that subordinates perform their duties adequately, managers rely on financial statements. These statements assist managers in evaluating the

performance of their subordinates by comparing actual results with budgeted expectations. If performance falls short of expectations, corrective measures can be implemented (Helfert, 1992). E) Government The central and state governments find financial statements valuable as they provide insights into earnings during a specific period for taxation purposes. Additionally, these statements aid in compiling business statistics, which contribute to the compilation of national accounts (Helfert, 1992). F) Investors Potential investors seeking to invest in a company typically analyze its financial statements to assess the safety and viability of their investment (Helfert, 1992). G) Research Scholars Financial statements, which reflect the financial status of a company, hold significant value for researchers aiming to conduct studies on the financial analysis of specific firms (Helfert, 1992). 11 A comprehensive and effective analysis is the outcome of ongoing and transparent collaboration between technical and financial personnel. It's crucial for technical staff to be involved in financial analysis and grasp its key insights. Often, financial reports for donors are prepared solely by finance personnel, leading to inconsistencies with technical reports and confusion among donors. While finance staff typically conduct initial financial analysis, it's essential for the team to agree on the analysis scope beforehand. Project managers should understand financial processes to guide the analysis effectively (Crosse, 1993). Financial analysts commonly evaluate the following aspects of a firm: ? Profitability: This refers to a company's capacity to generate earnings and sustain growth over both short and long periods. Typically assessed through the income statement, profitability measures a company's operational performance. ? Solvency: Solvency indicates a company's ability to fulfill its long-term financial obligations to creditors and other third parties. It's evaluated using the balance sheet, which portrays a company's financial status at a specific point in time. ? Liquidity: Liquidity assesses a company's capability to maintain positive cash flow while meeting immediate financial commitments. It's also gauged through the balance sheet, reflecting the company's financial health at a given moment. ? Stability: Stability evaluates a firm's capacity to sustain its operations without incurring significant losses in the long run. It necessitates an analysis of both income statements and balance sheets, alongside other financial and non-financial indicators. Financial analysts often use financial ratios to evaluate a company's performance across various dimensions like solvency, profitability, and growth. They compare these ratios over historical periods, forecast future performance, and conduct comparative analysis against similar firms. These ratios, derived from balance sheet and income statement data, include Return on Equity (ROE), Return on Assets (ROA), and Price/Earnings (P/E) ratio. However, financial ratios face theoretical challenges: ? They lack absolute meaning and require comparison with historical data or similar firms for meaningful interpretation. 12 ? Interpretation of ratios can vary, and combining multiple ratios provides a more holistic view. ? Seasonal fluctuations and accounting methods can distort ratio values. ? Percentage analysis, horizontal analysis, and vertical analysis are alternative methods to understand trends and comparability across different periods or companies. 2.1.4 Financial Ratios Here are several key financial ratios used to assess the financial performance of chosen banks: (i) Liquidity Ratio A liquidity ratio gauges a firm's ability to fulfill its immediate financial commitments. While a comprehensive liquidity analysis involves crafting cash budgets and examining cash and funds flow statements, liquidity ratios offer a swift assessment by relating cash and other current assets to current liabilities. They offer a snapshot of a firm's liquidity status, ensuring it avoids both cash shortages and excessive liquidity. Insufficient liquidity can lead to diminished creditworthiness, eroded confidence from creditors, or even legal entanglements resulting in business closure. Conversely, excessively high liquidity can tie up assets unnecessarily. Hence, striking a balance between ample liquidity and prudent asset utilization is crucial for a company's financial health (Reed & Smith; 2006). (ii) Leverage Ratio Short-term creditors, such as banks and suppliers, prioritize a company's ability to meet its short-term debt obligations. Conversely, long-term creditors, like debenture holders and financial institutions, focus on the company's long-term financial stability. It's essential for a company to maintain a strong position in both short and long-term finances. To assess the long-term financial health, analysts compute financial leverage or capital structure ratios, which reveal the blend of debt and equity used to finance the company's assets. Financial

leverage, also known as financial gearing or trading on equity, refers to the practice of increasing shareholders' returns through the utilization of debt (Reed & Smith; 2006). (iii) Activity Ratio Activity ratios focus on assessing the effectiveness of asset management. They are utilized to gauge how efficiently a bank manages and deploys its funds. These ratios, also known as turnover ratios, reflect the pace at which assets are converted into sales or utilized (Sharma; 2001). (iv) Profitability Ratio For a company to thrive and expand over the long term, it must generate profits. Profit represents the surplus between revenues and expenses within a specific timeframe. It serves as the ultimate outcome for a company, and its sustainability hinges on achieving adequate profitability. Hence, financial managers must consistently assess the company's efficiency in generating profits. Profitability ratios are employed to evaluate a company's operational effectiveness. Apart from company management, creditors and owners also have a vested interest in the firm's profitability. Creditors rely on consistent profits to ensure regular interest payments and repayment of principal amounts (Sharma; 2001). (v) Credit Ratio Credit ratios are computed to assess the credit standing of banks. These ratios reveal the proportion of deposited funds utilized for lending purposes, while also indicating the level of cash and bank balances retained for prompt payments (Sharma; 2001). 2.1.5 Financial Statement The Nepal Stock Exchange gathers and scrutinizes financial statements issued by listed companies to evaluate their financial performance. These financial statements typically include: i) Balance sheet The balance sheet stands as the foremost financial statement, offering a snapshot of a business's financial state at a specific point in time. It serves as the foundation for evaluating a company's financial performance. Within the balance sheet lies crucial information concerning a company's assets, liabilities, and shareholders' equity. By presenting a comprehensive view of a firm's financial position at the end of the fiscal year, the balance sheet plays a pivotal role in financial analysis. 14 Indeed, the balance sheet holds significant importance in financial assessment. Its key functions can be delineated as follows: 1. Providing a succinct overview of a company's resource obligations. 2. Serving as a gauge of the company's liquidity. 3. Serving as a measure of the company's solvency (Weston & Copeland; 1991). ii) Statement of profit and loss account: The Profit and Loss account provides a condensed overview of a firm's revenues, expenses, and net income, serving as a barometer of its profitability. Its functions are outlined as follows: a. Offering a succinct recap of a company's revenue and expenses over a specific period. b. Evaluating the company's profitability. c. Communicating information about the outcomes of the company's operations to owners and other stakeholders (Van Horne & Wachowicz; 1997). iii) Statement of Retained Earning This statement elucidates on the allocation of earnings for dividends and retained earnings, detailing how profits, dividends, and other transactions impact retained earnings and shareholders' equity. Financial analysis relies on the financial statements of the company in question. The objectives of financial analysis encompass: a. Acquiring comprehensive information for decision-making purposes. b. Assessing overall performance and managerial effectiveness. c. Identifying deficiencies and weaknesses. d. Implementing timely corrective measures to address such deficiencies and enhance performance. e. Evaluating the potential consequences of alternative courses of action. f. Gaining in-depth insights into the feasibility of implementing worthwhile changes (Srivastav; 1993). Financial statement analysis encompasses examining the relationships

within a set of financial statements **at a** specific **point in time and** tracking **trends in these relationships over time (Foster; 2002**

). It involves

identifying the financial strengths and weaknesses **of** 15 a **firm by establishing** connections **between items** on **the balance sheet and profit and loss account (Pandey; 1999). Ratio analysis, a** fundamental aspect **of financial** statement **analysis**

, entails determining and interpreting numerical relationships based on financial statements. Ratios serve as statistical benchmarks, expressing the relationship between two variables or figures, either as a percentage (e.g.,

cost of goods sold as a percentage of sales) or as a quotient (e.g., **current assets**

compared to current liabilities) (Kuchhal; 1976). Financial ratios are categorized into four types: liquidity, debt, profitability, and coverage. Each type serves distinct purposes for financial analysts and aids in managerial control, as well as in understanding the financial condition and performance expectations of external stakeholders. However, the usefulness of ratios depends on the analytical skills and experience of the financial analyst, as ratios are most meaningful when analyzed comparatively. Ratio analysis is a widely utilized technique for financial statement analysis and managerial performance evaluation. It helps pinpoint operational issues within a business and provides a basis for recommending corrective measures (Pradhan; 1992). Various stakeholders refer to financial ratios to monitor investment performance or for other specific interests. 2.2 Theoretical Review The literature review provides an overview of bank financial performance and management, followed by an analysis of factors influencing it. Loans are highlighted as significant income-generating assets, particularly in commercial banks, often considered the cornerstone of their operations. They account for a substantial portion of transactions, form the bulk of investments, and are crucial for profitability. However, it's crucial to note that many banks worldwide face failure due to loan devaluation, making loans inherently risky assets, susceptible to credit risk. Effective management plays a pivotal role in handling loans. Loan management encompasses overseeing loan exposures arising from corporate bonds and loan derivatives. These exposures constitute a primary investment source for commercial banks, with returns from such investments typically forming a major income stream (Adedoyin & Sobodun, 1991). Bank credit plays a crucial role in driving economic growth. Effective loan management emphasizes analyzing and mitigating credit risks to minimize adverse impacts on the bank's financial performance. It was maintaining performing loans benefits society, while non-performing loans pose a threat to existing capital. Therefore, careful analysis of loan proposals is essential to mitigate credit risk. Financial performance is central to banking operations, requiring adept management skills to ensure profitability, liquidity, and safety. Trust and confidence in financial transactions are vital for banks to foster growth and development with minimal risk. Credit decisions in financial performance are inherently risky, demanding caution and skill in credit analysis, structuring, and reporting. The quality of a bank's loan portfolio, risk asset mix, and credit administration system significantly influence its financial performance. Loans, in various forms such as overdrafts, cash credits, direct loans, and bill discounting, constitute a substantial portion of a bank's assets and contribute significantly to its profits. However, low interest rates and inflation can impact credit availability and loan performance. Economic growth positively influences bank credit, with real output driving financial development. Effective loan management involves establishing loan standards, analyzing borrower characteristics (character, capacity, capital, condition, and collateral), and implementing follow-up procedures. Different theories within finance literature provide insights into the factors influencing bank financial performance, such as reserve requirements, bank capitalization, and monetary policy effects on credit availability. (Adedoyin & Sobodun, 1991; Nwankwo, 2000; John, 1998; Ezirim, 2005; Chizea, 1994; Oluitan, 2012; Timsina, 2014; Kashyap, 1993). In this study, the reviewed theories are summarized as follows: A. Loan pricing theory According to this assertion, banks face constraints in setting high interest rates due to concerns about adverse selection and moral hazards. High interest rates may attract high- risk borrowers, leading to adverse selection issues. Additionally, once these borrowers 17 secure loans, they may engage in risky projects or investments, indicating moral hazard behavior. Consequently, finding an interest rate that aligns with borrowers' risk levels can be challenging for banks. This theory implies that loans extended to the public may or may not result in increased risk exposure in the end (Chodecal, 2004). B. Credit Market Theory The neoclassical credit market model posits that credit market equilibrium is achieved through the adjustment of interest rates. In this model, interest rates

serve as the sole pricing mechanism for clearing the credit market, assuming loan collateral remains constant. As demand for credit rises with a fixed supply of loans from banks, interest rates increase to clear the market, and vice versa. Higher default risks of borrowers lead to higher interest premiums to offset potential losses (Ewert, 2000). An increase in credit demand due to low interest rates may result in currency depreciation. Consequently, central banks adjust interest rates to raise borrowing costs, prompting commercial banks to raise their rates and reduce lending activities in the long term. Additionally, central banks may impose increased cash reserve requirements on commercial banks to limit credit availability, considering macroeconomic factors. This restriction leaves commercial banks with little choice but to decrease lending volumes (Bolton and Freixas, 2001). C. Moral Hazard Theory Moral hazard arises in contractual agreements between two parties, manifesting in two forms: hidden information and hidden action. Hidden information occurs when one party fails to disclose all relevant options and associated risks. Hidden action occurs when one party makes choices that are not in the best interest of the other party and cannot be observed or managed, potentially leading to moral hazard. In the context of credit markets, examining the lender-borrower relationship reveals challenges for financial institutions in ensuring that borrowed funds are invested in productive ventures. Due to information asymmetry, borrowers may opt for risky projects, increasing the likelihood of default (Diamond, 2006).

2.3 Review of Empirical Studies 2.3.1 Review of Journals and Articles

Ibrahim and Nawaiseh (2016) investigated the impact of financial performance on firm value in developing countries, specifically focusing on Jordanian industrial firms listed on the Amman Financial Market (AFM). Their sample comprised 40 firms, representing 71.4% of Jordanian industrial firms, spanning from 2006 to 2015. Utilizing regression analysis, they examined Tobin's Q and operational efficiency indicators (gross profit and operating expenses) as measures of financial performance. The study revealed a statistically significant influence of financial performance on firm value. The authors recommended prioritizing the use of appropriate indicators, such as operating efficiency alongside Tobin's Q, for analyzing financial performance. This comprehensive approach facilitates better forecasting of firm value and informed decision-making among stakeholders. Methodologically, the study outlined the study population, variables, measurement techniques, statistical analysis, hypothesis testing, and results discussion. Secondary data from AFM-listed firms' financial statements were employed, sourced from the AFM website. Despite adverse economic conditions during the study period, the researchers employed three indicators to assess financial performance. However, the study overlooked certain factors affecting firm value, such as managerial ownership. Saad and Zhengge (2016) conducted a study focusing on the influence of organizational factors on financial performance, particularly in service firms. The research aimed to examine the connections between organizational factors—such as liquidity, leverage, asset utilization, market share position, and firm size —and financial performance indicators, specifically return on assets (ROA) and return on equity (ROE). The significance of assessing financial performance in service firms lies in its reflection of management effectiveness, especially considering the traditionally lower productivity growth in service firms compared to manufacturing firms. While literature extensively covers organizational factors and financial performance in manufacturing firms, the applicability of management practices and organizational factors from manufacturing to service firms remains uncertain. Therefore, the study sought to bridge this gap by exploring whether the factors enhancing financial performance in manufacturing firms also apply to service firms. The financial performance of a company is pivotal in 19 assessing management effectiveness, as it reflects the contributions of individuals and groups within the organization toward achieving financial objectives. The proposed research framework offers practical value for firms, as managers can gain insights into organizational factors and conduct further research to understand their true impact. In Dalayeen's (2017) study, the focus was on appraising the financial performance

of chosen companies in Jordan. Several factors, including capital structure, costs, revenues, and resulting profit margins, influence an organization's financial performance. Key

indicators of financial performance encompass **return on assets, sales, equity, and** various **other financial** metrics. The analysis **in this**

research covered parameters such as profitability, asset utilization, performance growth, financial robustness, and capital structure of the selected companies in Jordan. Additionally, the study aimed to elucidate the relationships among different aspects of financial performance. Data for the study were sourced from published annual reports of the selected companies over a thirteen- year period, spanning from 2001-02 to 2013-14. Furthermore, information was gathered from

articles published in business newspapers, journals, and online sources. **Multiple regression** analysis was employed **to** examine **the impact of financial ratios on the financial performance of the** chosen **companies**

. Financial performance evaluation involves the

interpretation of a firm's financial status **and operations** , entailing **a** thorough **comparison and interpretation of accounting data**

. It serves as a scientific tool for assessing the true value of an enterprise and helps unravel the complexities embedded within financial statements. In this study, financial performance was gauged using various

financial ratios , including **current ratio, quick ratio, operating ratio, inventory turnover** ratio, **debtors' turnover** ratio, **debt equity** ratio, **return on sales (ROS), and return on equity (ROE**

). Multiple linear regressions were then utilized to assess the influence

of these financial ratios on the financial performance of the **selected companies in Jordan**

. Pinto, Hawaldar, and Rahman (2017)

conducted a study focusing **on the** evaluation of the **financial performance of commercial banks**

, recognizing the pivotal role of banks in any economy's financial system. Specifically, this research assessed the financial performance of commercial banks in Bahrain over a period from 2005 to 2015, analyzing data from eight commercial banks. Data for the study were sourced from various sources, including

published annual reports, websites of the respective banks, investor's guides, newspapers, 20 **newsletters of the banks, and** the **Central Bank of Bahrain website** . The study employed **regression** analysis, **correlation analysis** , and **t-tests to** explore **the** relationships **between different financial parameters. The**

findings indicated a significant impact of profitability

on capital adequacy and financial leverage , although **the study did not** establish a clear **relationship between profitability and** the **efficiency of the banks** . Furthermore, the **study** revealed **that** enforcing a **higher capital adequacy ratio** could **adversely** affect **the profitability of the banks** . Additionally, **the impact of financial and oil** crises may **have influenced the financial leverage of the banks** , resulting **in adverse** effects **on** their **profitability**

. Ray and Mitra (2018) delved into the relationship between a firm's financial performance and its sustainability efforts using classifier models. While numerous studies have explored how socially responsible activities impact financial performance, there is a lack of consensus in the literature. To contribute to this discourse, the study adopted a unique approach by examining how past financial performance influences corporate social responsibility (CSR) activities. The research focused on voluntary CSR disclosure as the dependent variable and investigated how the financial performance of companies affects CSR activities. The study analyzed data from 100 Indian companies listed in the BSE 100 index, utilizing information from directors' reports in the latest annual reports to identify voluntary CSR disclosures. Various financial performance variables, including return on assets (ROA), return on equity (ROE), return on capital employed (ROCE), debt-to- equity ratio, market capitalization, and ownership, were considered as independent variables for analysis. Several binary classifier models were employed for empirical analysis, and their performance was validated using different measurement techniques such as F-measure, accuracy rates, balance error rate (BER), Matthews correlation coefficient (MCC), Kappa coefficient, and AUROC. The results of the model performance demonstrated higher accuracy in predicting actual values compared to previous approaches. Ronoh, Samson, Kibas, and Kibati (2018) investigated the impact of Business Management Training on the Financial Performance of Deposit Taking Saccos in Kenya, focusing specifically on accounting skills, entrepreneurship skills, financial management skills, marketing management skills, and strategic leadership skills. The study drew upon 21 several theoretical frameworks, including the

theory of internal control, psychological theory, financial stewardship theory, resource-based theory, and Porter's theory of competitive advantage . Employing **both positivistic and** interpretive **philosophical foundations**

, the research utilized an explanatory survey design to address its research questions. Data were collected through structured questionnaires with Likert scale responses and secondary sources.

Reliability (Cronbach 's **alpha) and validity** tests **were** conducted **to pre-test the research questionnaire**

. Statistical Package for Social Sciences (SPSS) was utilized for data analysis, employing inferential techniques such as correlation and regression, as well as descriptive statistics including frequencies, percentages, mean, and standard deviation. The correlation analysis revealed

a significant positive relationship between the independent variables (accounting skills, entrepreneurship skills, financial management skills, marketing skills, and strategic leadership skills) and financial performance . However, **based on** multiple regression **results**

, these variables could only explain 41.4% of the changes in financial performance. The study emphasized the importance of focusing

on both human and financial resources to penetrate the market and employing **competitive forces** strategies **to defend against competition**

. Alardi and Altass (2019) conducted a study focusing on the Transparency Index as a means to enhance the transparency of financial reports and improve shareholder protection levels. The research aimed to address the negative impact experienced by financial report users due to inadequate transparency levels and proposed the implementation of a Transparency Index to organize voluntary disclosures. This index would cater to the information needs of financial report users effectively. The study also sought to examine the relationship between the transparency level of financial reports, financial performance, and shareholder protection in the Egyptian Exchange. To validate the study hypotheses, an Experimental Study was conducted on

companies listed on the EGX50 index, excluding financial institutions. Financial statements, attached notes, board of directors' reports, governance reports, and sustainability reports of EGX50 index companies over a three-year period (2016-2018) were analyzed. The findings underscored the necessity of bolstering both transparency and shareholder protection levels through the implementation of the proposed Transparency Index. The research 22 addressed critical issues related to assessing the transparency level of financial reports in the Egyptian Exchange and evaluated the impact of enhanced transparency on financial performance and shareholder protection. The study also proposed a transparency index designed to meet the information needs of financial report users. This study fills a gap in accounting research by assessing the transparency level of financial reports in the Egyptian Exchange and demonstrating the positive effects of improved transparency on financial performance and shareholder protection. This contribution adds to the discourse on transparency levels and shareholder protection within the Egyptian Exchange context. Jao, Hamzah, and Laba (2020) conducted a study focusing on the relationship between

financial performance, reputation, and firm value among **non-financial companies listed** on the **Indonesia Stock Exchange** . The **research**

aimed to explore several key relationships: the impact

of financial performance on reputation, the influence of financial performance on firm value, the effect **of reputation on firm value** , and **the** mediating role **of**

reputation in the relationship between financial performance and firm value.

The sample for **this study** comprised **108 non-financial companies listed** on **the Indonesia Stock Exchange** from **2016**

to 2018, selected through purposive sampling. Path analysis was employed as the analytical method, with reputation measured using

the Corporate Image Index (CII) provided **by Frontier Consulting Group. The** findings indicated **that financial performance** positively **and** significantly influenced **company reputation**

and firm value. Additionally, reputation had a positive and significant impact on firm value, and it mediated the relationship between

financial performance and **firm value. The** implications **of** the **research** highlight **the** role of **financial performance as a positive signal in** enhancing a **company's reputation**

, consequently fostering investor confidence in the capital market. Pandian and Narendran (2021) conducted a study focusing on the influence of financial performance indicators on profitability, particularly in the textile industry. Given that many organizations rely on financial data for resource allocation across departments, assessing financial health through the analysis of financial data and performance indicators becomes imperative. The paper specifically examines how financial performance indicators impact the profitability of the textile industry, a significant sector in India known for its employment generation. Financial analysts typically evaluate 23 various aspects of a firm's performance, including production, productivity, profitability, liquidity, working capital, fixed assets, fund flow, and social performance. To analyze these relationships, the study employs statistical methods such as linear multiple regression analysis and hypothesis testing (t-test). By conducting financial performance analysis, the study aims to identify both strengths and weaknesses within firms

by establishing connections between items in the balance sheet and profit and loss account. The research is particularly valuable as it helps measure liquidity, profitability, and other critical indicators necessary for rational business conduct and ensuring sufficient returns to shareholders to maintain or enhance market value. In this context, the study delves into the financial performance of garment companies to highlight the pivotal role of financial management in fostering growth. Wardhani, Rosalina, Elvany, and Awaluddin (2021) conducted a study focusing on banking financial performance during the Covid-19 pandemic. The pandemic has prompted companies to enhance their business operations to ensure optimal performance amidst challenging circumstances. Financial performance serves as a crucial tool for assessing a company's financial health, and in this study, the DuPont system method was employed for this purpose. The study aimed to analyze differences in financial performance before and during the Covid-19 pandemic and assess the impact of indicators contained within the DuPont framework, including Net Profit Margin (

NPM), Total Asset Turnover (TATO), Financial Leverage Multiplier (FLM), Return on Assets (ROA), and Return on Equity (ROE). The **study**

focused on companies in the banking sector listed on the Indonesia Stock Exchange (IDX) for the period spanning 2019-2020. A purposive sampling technique was utilized to select a sample comprising 23 banking companies. The data collected underwent analysis using the

Wilcoxon signed-rank test approach. The test results revealed **that the financial performance** of the **banking** sector showed **no** significant **difference before and during** the **Covid-19** pandemic. **This**

suggests that banks were able to maintain financial stability despite the challenges posed by the pandemic. 2.3.2 Review of Previous Study Tamang (2016)

conducted a study focusing **on the financial performance** analysis **of commercial banks in Nepal**

, specifically examining Nepal Investment Bank (NIB) and Nepal Bank (NABIL). The study aimed to compare various financial indicators between the two banks, including debt utilization, profitability ratios, capital adequacy ratios, and dividend per share (DPS). The findings suggested that NABIL had a higher utilization of debt, better profitability ratios, and superior capital adequacy and dividend per share compared to NIB. Based on these findings, the study recommended both banks to review their capital structure and investment portfolios for better performance and to improve their liquidity positions. Chand (2018) investigated the financial performance analysis of selected commercial banks, namely NABIL, Nepal Investment Bank Limited (NIBL), and Standard Chartered Bank Limited (SCBL). The study focused on examining

capital adequacy ratios, **asset quality, management quality, earning ability, and liquidity** of **the**

selected banks. The findings indicated that SCBL ranked first overall, while NABIL ranked second. Additionally, NABIL demonstrated better asset quality compared to NIBL and SCBL, while NIBL showed consistent performance in maintaining cash reserve ratios. Mandal (2019) conducted a comparative financial performance appraisal of joint venture banks, specifically analyzing NABIL, Everest Bank Limited (EBL), and Nepal Investment Bank Limited (NIBL). The study found that both NABIL and EBL effectively utilized debt funds to generate higher returns compared to NIBL. Additionally, the analysis of earning components revealed that Siddhartha Bank Limited (SVBL) scored highest in terms of capital adequacy ratio (CR), market price per share (MPS), and profit after tax. The study recommended enhancing banking facilities in rural areas and prioritizing local manpower development. Bohara (2020) conducted a comparative study of the financial performance of NABIL and NIBL, focusing on liquidity, activity, and profitability indicators. The findings suggested that NABIL had better

liquidity and capital adequacy positions compared to NIBL. However, NIBL exhibited better performance in terms of dividend per share (DPS) and price-to-earnings (P/E) ratio. Overall, NIBL was found to be financially sound across various components of financial performance. Giri (2021) explained a study on the CAMEL analysis of commercial banks, specifically Everest Bank Limited (EBL), Global IME Bank Limited (GIBL), and Nepal Industrial and Commercial Bank Limited (NIC). The study aimed to assess the capital adequacy, asset quality, management quality, earning capability, and liquidity position of the selected banks. The findings indicated that all banks successfully maintained the capital adequacy ratio as per regulatory standards, with GIBL having the highest CAR. Additionally, EBL demonstrated lower loan loss provision ratios and higher liquidity positions compared to the other two banks. Karki (2022) conducted a comparative analysis of the financial performance of NABIL and Everest Bank Limited (EBL). The study aimed to evaluate the liquidity position of both banks, analyze their comparative financial performance, and offer suggestions for improvement. The findings revealed that EBL efficiently utilized its long-term funds to generate profits, while NABIL exhibited favorable liquidity positions. The study recommended NABIL to reduce excessive non-performing assets and invest in income- generating current assets, while EBL was advised to strengthen its liquidity position. Overall, EBL showed better profitability compared to NABIL. 2.4 Research Gap The previous studies have primarily focused on specific aspects of commercial bank financial performance, such as profitability, sources of funds, income and expense trends, and dividend policies, this study aims to provide a comprehensive evaluation covering core financial performance indicators including tangibility, profitability, liquidity, bank size, and capital structure. By conducting a comparative analysis of Nepalese commercial banks, specifically NABIL, Standard Chartered Bank Nepal Limited (SCBNL), and Everest Bank Limited (EBL) over the period from 2013/014 to 2022/023, this study seeks to complement existing literature and offer a more comprehensive understanding of banking performance. The objectives of this study differ from previous research, focusing specifically on the comparative financial performance of the selected banks, making it more specific, in- 26 depth, and comprehensive. Utilizing regression analysis, the study reveals that return on assets positively impacts earnings per share, fixed assets to total assets ratio, and

loan and advance to total deposit ratio , while showing a **negative impact on** the **number of branches and total debt to total assets ratio** . Additionally, **there is** a **positive impact of** earnings per share **on fixed assets to total assets ratio, but** a **negative impact on loan and advance to total deposit ratio, number of** bank **branches, and total debt to total assets** ratio **of** the **sample banks** . Moreover, **the selected sample banks**

demonstrate stability, adequate capitalization, and profitability, remaining in a sound financial position throughout the study period. The findings suggest that

return on assets and earnings per share significantly **and** positively influence **the profitability performance of** the **sample banks**

, as evidenced by the significant results on tangibility and liquidity. CHAPTER III RESEARCH METHODOLOGY 3.1 Research Design This study adopts a descriptive cum causal-comparative research design to investigate the financial performance of several Nepalese banks, including NABIL, SCBNL, NBL, RBBL, GIBL, and EBL, and to identify the various financial ratios that may impact their performance negatively. Descriptive designs are employed in preliminary and exploratory studies to facilitate the collection, summarization, presentation, and interpretation of information for classification purposes. These designs are primarily utilized in this study to describe the information or data collected through numerical means. Additionally, the causal-comparative design is employed to analyze the relationship between different variables and their overall performance. This approach allows for the examination of causal relationships among variables and the identification of potential factors influencing the banks' performance levels. 3.2 Population and Sample In this study, a multistage

sampling approach will be utilized for data collection. From the total of 20 commercial banks in Nepal as of 2081-2-27, the sampling frame will consist of six specific commercial banks: NABIL, SCBNL, NBL, RBBL, GIBL, and EBL. This selection strategy allows for a more manageable study in terms of resources while ensuring that the research objectives are adequately addressed. The data collection and analysis procedures are structured to balance relevance to the research purpose with efficiency. Both analytical and descriptive designs are employed to fulfill the research objectives effectively. A research design serves as a blueprint for data collection and analysis, guiding the researcher toward achieving the study's goals. A well-designed research plan ensures that the information gathered is pertinent to the research questions and is obtained through objective and cost-effective methods. In this study, a descriptive research design has been adopted. 3.3 Nature of Sources of Data Once the research design is established, the next step involves identifying the sources of relevant data for the study. Typically, this study relies on secondary data sources. Secondary data refers to information that has been collected by someone else or previously used and is made available for others' use, often in the form of published statistics such as annual reports, periodicals, newspapers, and magazines. Once secondary data is utilized, it loses its originality and is classified as secondary. For this study, secondary data plays a crucial role, primarily drawn from annual reports of the targeted banks. However, in addition to annual reports, various other sources have been consulted, including plan documents, newspapers, magazines, economic journals, and reports from the Nepal Rastra Bank (NRB). These diverse sources contribute to a comprehensive dataset that supports the research objectives effectively. 3.4 Tools of Data Collection To fulfill the study's objectives, two categories of data are gathered. The initial type comprises secondary data sourced from various publications, including those from the sample banks and the Nepal Rastra Bank Bulletin, issued by the country's central bank. Additionally, annual audited financial statements released by the respective banks, along with the yearly economic survey, contribute to this dataset. A ten-year average of ratios spanning from 2013/014 to 2022/023 is analyzed to evaluate the financial performance of commercial banks in Nepal. 3.5 Data Processing and Analysis This study employs selected ratios based on a framework to illustrate the financial performance of commercial banks. These ratios are utilized to assess their significance levels. Additionally, an econometric multivariate regression model is applied to examine the impact of variables on the performance of Nepalese commercial banks. The study treats profitability ratios (such as ROA and CR) as dependent variables, while Leverage, Size, Tangibility, and Liquidity status are considered independent variables. In this equation, α represents the constant, β denotes the coefficient of variables, and ε stands for the residual error of the regression. All calculations are conducted using the SPSS software program, with ordinary calculations carried out in Excel. 3.6 Data Analysis Tools A. Measures of Dispersion The average serves as a central value representing the entire series, but it does not provide insight into how scattered the values of items within the series are around this central value. Measures of dispersion are used to quantify this scatter. They indicate the extent to which individual values deviate from the average or central value. Important measures of dispersion include the range, mean deviation, and standard deviation. These measures can be expressed in two ways. One method presents the absolute amount of deviation, while the other presents the relative amount of deviation. While absolute measurements are valuable, relative expressions of deviation offer valuable comparisons. Measures of dispersion expressed in the original units of a series are termed as "absolute measures," while relative measures are obtained as ratios or percentages, known as "coefficients," which are pure numbers independent of measurement. Percentages of variation, known as coefficients of dispersion or coefficients of variation, indicate the degree of variation. Therefore, for the purpose of comparing variability, it is important to compute relative measures of dispersion. __ a) Mean or Average (X) An average is a numerical value that represents a group of values, providing insight into the characteristics of the entire group. Typically, the average value falls between the largest and smallest items in the group, serving as a central point of reference. This metric is commonly referred to as the simple average. Where, __ $\sum X$ Mean or Average (X) = N b) Standard Deviation (σ) The standard deviation is the positive square root of the average sum of squares

of deviations of observations from the arithmetic mean of the distribution. It's a widely used and valuable measure of dispersion, providing consistent and reliable results. Denoted by the small Greek letter sigma, standard deviation quantifies the absolute dispersion or variability within a distribution. The greater the variability or dispersion shows the larger the standard deviation, indicating more significant deviations of values from their mean. A small standard deviation suggests a high degree of uniformity and homogeneity within

a series , whereas **a large standard deviation** implies **the opposite. In this** context, **standard deviation is** computed **for selected dependent and independent variables** outlined **in the** presented **model. Standard deviation**

is the positive square root of average sum of squares of deviations of observation from the arithmetic mean of the distribution. Standard deviation is the popular and useful measure of dispersion and gives uniform, correct and stable results.

It is denoted by the small Greek letter sigma. The standard deviation measures the absolute dispersion or variability of the distribution; for the greater the amount of dispersion or variability the greater the standard deviations, for the greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as Homogeneity of a series; a large standard deviation means just the opposite. In this, standard deviation is calculated for selected dependent and independent variables specified in the model presented above. Standard deviation (σ) = √∑($X-X)^{-} n$

−1 c) Coefficient of variation (C.V) The coefficient of variation (CV) is utilized to compare the variability of two or more series. A higher coefficient of variation indicates greater variability, less consistency, less uniformity, less stability, and less homogeneity within a series. Conversely, a lower coefficient of variation suggests less variability, more consistency, more uniformity, more stability, and more homogeneity. It is denoted by CV and is calculated as follows: Where, 31 S.D. Coefficient of Variation (CV) =Mean × 100 B. Correlation Analysis Correlation analysis is a statistical method used to assess the strength of the relationship between two continuous variables. Researchers often employ this analysis to determine potential connections between variables. It's essential to note that correlation analysis doesn't establish causation; other factors not considered in the study could influence the results. When correlation exists between two variables, it indicates that changes in one variable correspond with changes in the other variable in a systematic manner over a specific period. Correlation values can range from -1 to +1, with positive values indicating a positive correlation and negative values indicating a negative correlation. C. Regression Analysis Regression analysis is a robust statistical technique that enables the exploration of relationships between multiple variables. Although various forms of regression analysis exist, they all fundamentally investigate how one or more independent variables affect a dependent variable. In this particular study, an explanatory research design was employed to elucidate the relationship between bank performance metrics, utilizing quantitative data extracted from banks' annual reports. Model Specification The empirical model is defined as shown below: The model (1) is: Projected (ROA) (Ÿ) = α + β1*CRR + β2*TD/TA + β3*TA/TL + β4 * Size + tn ROA = (α) Return on Assets: Dependent Variable CRR= (β1) Credit Risk Ratio : Independent Variable TD/TA=(β2) Total Deposit to Total Assets Ratio: Independent Variable TA/TL = (β3) Total Assets to Total Liabilities Ratio: Independent Variable Size =(β4Size(Total Number of Branches):Independent Variable The parameters of the models, denoted by β1, are integral to our analysis. Here, the index i ranges from 1 to 4, reflecting the examination of six commercial banks, while the index n spans from 1 to 6, corresponding to the ten-year period from 2013/14 to 2022/23. 3.7 Research framework and Research Variables CRR TD/TA TA/TL Bank Size ROA Cash Reserve Ratio (CRR) refers to a mandated minimum portion of customers' total deposits that commercial banks are required to maintain as reserves, either in cash or as deposits with the central bank. The CRR is determined by the central

bank's directives and guidelines. Total Deposit to Total Assets Ratio is a metric used to gauge the proportion of debt in a bank's capital structure. An excessively high ratio indicates heavy reliance on debt financing, which may pose risks such as third-party legal claims. Conversely, an extremely low ratio may impact shareholders' profitability adversely. Total Assets and Total Liabilities encompass the entirety of a bank's financial holdings. Assets comprise cash, purchased items, and customer debts owed, while liabilities represent the total amount owed to creditors. Owner's equity, net worth, or capital is the difference between total assets and total liabilities. Bank size is often quantified as the natural logarithm of a bank's total assets value, typically denominated in US dollars. Capital ratio is assessed through metrics like the Tier 1 ratio, which measures tier-1 capital relative to total risk-weighted assets. CHAPTER IV DATA PRESENTATION AND ANALYSIS This section delves into the examination of different financial indicators and variables. It revolves around the presentation and scrutiny of secondary data to draw conclusions and formulate recommendations. 4.1 Financial Performance analysis of Selected Banks 4.1.1 Return on Assets of Selected Banks ROA, also known as profit-to-assets ratio, assesses the profitability of a firm's total investments. It signifies how effectively a company utilizes its assets to generate profit. A company that operates more efficiently will yield greater profits with its existing assets. Consequently, a high ROA reflects superior profitability, while a low ROA indicates the opposite. Table 4.1Return on Assets Fiscal Year NBL GIBL NABIL SCBNL EBL 2013/014 0.13 0.12 2.56 2.51 1.97 2014/015 0.14 0.8 2.47 2.47 2.80 2015/016 0.12 0.83 2.43 2.8 2.11 2016/017 1.12 1.19 2.8 2.67 2.39 2017/018 1.45 1.5 2.89 2.51 2.25 2018/019 1.40 1.64 2.06 1.99 1.85 2019/020 1.92 1.59 2.32 1.98 1.59 2020/021 1.82 1.57 2.69 1.84 1.83 2021/022 1.80 1.97 2.61 2.61 1.97 2022/023 1.83 1.94 2.06 2.61 1.94 Average 1.46 1.47 2.47 2.40 2.00 S.D. 0.34 0.37 0.28 0.34 0.23 C.V 24.04 25.08 11.46 14.01 11.29 RBB 1.78 1.69 1.45 2.14 1.98 1.70 1.95 1.84 1.75 1.66 2.067 0.24 12.45 Source: Annual report of selected banks. The table 4.1 shows that the return of assets ratio of NBL, GIBL, NABIL, SCBNL, EBL and RBBL respectively. The ten years study period shows that the Nabil Bank Limited and SCBNL of ROA is higher than EBL, NBL, RBB and GIBL respectively, that means NABIL and SCBNL have been properly utilizing its assets to increase the turnover than EBL, NBL, RBB and GIBL. High ratio indicates efficient utilization and less than 2 times indicates underutilization. As a result the GIBL, NBL, RBB and EBL banks are under utilization of own assets to compare to the NABIL and SCBNL. The risk analysis point of views, the standard deviation of GIBL, NBL and SCBNL is higher than NABIL, EBL and RBB. It shows GIBL, NBL and SCBNL banks are little bit more risk to invest by shareholders. Likewise, the C.V. of EBL and SCBNL are higher than NABIL, NBL, RBB and GIBL which shows that GIBL and RBB banks of ROA is more consistency than other banks. The return point of views, EBL and SCBNL are better than six banks. 4.1.2 Cash Reserve Ratio (CRR) CRR, or Cash Reserve Ratio, refers to the portion of a bank's overall deposits that it must keep as liquid cash. These reserves are not subject to interest earnings, and banks are prohibited from utilizing them for investment or lending activities. Table 4.2 Cash Reserve Ratio in % Year NBL GIBL Nabil SCBNL EBL RBB 2013/014 15.20 17.12 16.20 19.30 13.15 15.20 2014/015 13.20 16.39 14.20 18.26 19.58 16.30 2015/016 14.20 15.30 16.30 16.39 16.30 17.25 2016/017 19.20 12.39 17.20 15.26 17.50 18.20 2017/018 8.25 10.27 15.20 18.25 16.20 14.20 2018/019 9.20 8.39 9.30 19.2 15.12 16.30 2019/020 6.29 7.26 8.25 12.0 16.39 18.25 2020/021 11.25 8.25 10.25 7.2 11.10 19.20 2021/022 17.25 10.20 11.26 10.5 10.23 16.30 2022/023 16.30 14.25 12.30 8.2 9.25 15.20 Mean 18.20 11.98 12.20 14.45 14.48 14.25 S.D. 2.25 3.61 3.52 4.63 3.40 3.25 C.V. 24.20 23.12 25.20 32.01 23.48 22.30 Source: Annual report of Selected Banks Table 4.2 also prescribed in the cash reserve ratio of sample banks. The cash reserve ratio of the sample banks. NBL has 18.20 average cash reserve ratio, the highest average cash and reserve ratio is 18.20 and lowest 11.98. The standard deviation of CRR of NBL is 2.25, GIBL has 3.61, NABIL has 3.52, SCBNL has 4.63, EBL has 3.40 and RBBL has 3.25 respectively. The highest standard deviation is 4.63 and lowest S.D. is 2.25 which show the CRR of the sample banks SCBNL has high risk and NBL has low risk. The consistency point of views, RBBL bank seen more consistency to compare other sample banks and risky point of views, SCBNL shows the more risky than other sample banks. The C.V of SCBNL bank is 32.01 which is highest than other sampled banks. 4.1.3 Total Deposit to Total Assets The deposit

to total assets ratio assesses the significance of debt within the capital framework. Typically, an excessively high ratio of debt to total assets is disadvantageous for a business. Excessive debt exposes the company to legal claims from third parties. Conversely, a very low ratio of debt to total assets is also unfavorable from the perspective of shareholders, impacting their profitability. Table 4.3 Total deposit to total assets in % FY NBL GIBL NABIL SCBNL EBL RBB 2013/014 85.12 87.14 90.45 88.14 90.284 79.256 2014/015 84.17 98.254 98.121 78.412 91.25 78.14 2015/016 84.145 93.284 98.405 89.694 91.803 90.123 2016/017 83.145 92.455 152.004 89.418 91.211 90.147 2017/018 70.451 90.354 90.486 89.998 91.016 88.010 2018/019 71.145 88.084 91.445 90.606 91.472 88.012 2019/020 78.457 89.595 90.437 88.066 91.136 87.451 2020/021 80.0145 89.455 81.163 84.201 88.706 84.120 2021/022 82.145 87.516 79.091 83.428 88.858 84.147 2022/023 84.125 82.766 80.819 81.201 76.182 78.145 Average 79.203 89.63 94.17 87.54 89.18 86.269 S.D. 3.11 3.13 21.30 3.43 4.74 4.20 C.V 3.70 3.49 22.62 3.92 5.31 5.47 Source: Annual report of selected banks. Table 4.3 illustrates that commercial banks utilize their deposit funds by investing in various securities issued by the government and other financial and non-financial sectors. This ratio evaluates the banks' capability to invest their deposits in different securities. It is calculated by dividing the total debt by the total assets ratio. In comparison to the mean value, NABIL has a higher ratio than GIBL, EBL, SCBNL, RBB, and NBL. This indicates that NABIL has a higher percentage of total debt in relation to total assets, standing at 94.17% compared to other banks. GIBL and EBL show similar debt percentages, while SCBNL and RBB have slightly lower ratios over the ten-year period. NBL exhibits the lowest ratio over the same period. From a risk perspective, NABIL appears to be riskier for investment compared to the other sampled banks. However, GIBL demonstrates more uniformity in debt ratios compared to other banks over the ten- year period. This suggests that NABIL's investment policy is in a more favorable position compared to other banks. 4.1.4 Total Asset to total Loan and Advances This ratio assesses how efficiently banks use total deposits for lending to generate profits. A higher ratio indicates better deposit mobilization, while a lower ratio suggests otherwise. However, excessively high ratios may pose liquidity risks. See the table below for the loan and advances to total deposit ratio of each bank. Table 4.4 Total Asset to total Loan and Advances in % Fiscal Year 2013/014 2014/015 2015/016 2016/017 2017/018 2018/019 2019/020 2020/021 2021/022 2022/023 Average S. D. C.V NBL 49.01 75.25 55.20 45.20 48.69 68.33 77.44 72.07 79.34 89.3 69.17 15.34 22.18 GIBL 45.20 66.30 74.20 56.30 42.30 67.25 85.20 69.30 65.20 78.20 56.30 13.20 21.30 Source: Annual Report of Concern Banks NABIL 45.20 69.25 75.20 65.20 45.20 66.45 87.45 60.25 63.52 74.25 54.12 15.20 19.23 SCBNL 75.36 68.50 75.20 66.30 77.36 71.82 75.37 80.50 85.10 88.31 79.12 14.87 18.42 EBL 80.25 65.30 55.20 63.45 67.45 65.20 64.25 76.20 69.58 56.30 69.50 16.30 19.25 RBB 75.25 66.28 70.28 65.25 66.39 77.25 55.60 74.12 58.20 66.30 80.45 68.12 16.20 The table 4.4 shows the Total Asset to total Loan and Advances of NBL, GIBBL, NABIL, SCBNL, EBL and RBBL. The ratio of all sampled banks has fluctuating trend. The highest average ratio is 8045 of RBBL and lowest total assets to total loan and advance ratio is 54.12. Therefore, RBBL has highest standard deviation which is 68.12 where the lowest standard deviation is 13.20 of GIBL. The C.V. of sample banks are 22.18, 21.30, 19.23, 18.42, 19.25, 16.20 of NBL, GIBL, NABIL, SCBNL, EBL and RBBL respectively. This is indicates that the NBL has highest C.V and RBBL has lowest, RBBL is more consistency than other samples. Table 4.5 Size of Selected Banks in % FY NBL GIBL NABIL SCBNL EBL 2013/014 64 63 50 13 45 2014/015 58 57 54 16 41 2015/016 57 56 49 15 48 2016/017 58 56 52 15 54 2017/018 60 56 51 15 53 2018/019 67 56 82 12 65 2019/020 67 62 74 12 61 2020/021 71 62 55 12 65 2021/022 76 72 55 12 82 2022/023 78 88 55 15 94 Average 66.75 62.0 56.9 13.7 62.9 S. D. 12.14 10.9 12.4 1.5 15.3 C.V 18.01 17.5 21.7 10.9 24.3 RBB 56 42 40 78 77 80 84 88 92 91 78.75 16.12 25.45 Source: Annual report of selected banks. The table 4.5 depicts that, the RBB, NBL, EBL and GIBL seen more number of branches than SCBNL and NABIL in past ten years period. The interpretation point of views, RBB is being the higher number of branches bank to compare other sample banks while SCBNL is being the lower number of branches banks in ten years period. 4.1.6 Descriptive Analysis In this section, the relationship between Leverage, Liquidity, Tangibility, and Size of banks with Return on Assets (ROA) and Earnings per Share

(EPS) is examined individually for each sampled listed bank. ROA and EPS are considered as dependent variables, while Total Deposit to Total Assets (TD/TA), Total Assets to Total Liabilities (TA/TL), and bank size are taken as independent variables. Correlation analysis is conducted to assess the relationship between Leverage, Liquidity, Tangibility, Size, ROA, and EPS. Simple correlations and coefficients of determination are computed to understand the effect of these variables on ROA and EPS. Multiple regression analysis is employed to determine the impact of Leverage, Liquidity, Tangibility, and Size of Banks on ROA and EPS. Regression equations are derived to identify the magnitude of the effects of the independent variables on the dependent variables. Multiple correlation coefficients and coefficients of determination are analyzed during both correlation and regression analyses. Descriptive statistics provide insights into the data for ROA, EPS, TD/TA, TA/TL, TD/TA, and bank size over ten years and six commercial banks from 2013/014 to 2022/023. Mean values, standard deviations, ranges, and minimum and maximum values for each sector are computed through descriptive analysis. Table 4.6: Descriptive Statistics ROA CRR TD/TA TA/TL SIZE Mean 2.0211 49.5867 1.0967 71.0500 48.0444 Std. Deviation .12908 11.95446 .29640 7.31867 7.74130 Range .39 30.24 .95 22.27 25.40 Minimum 1.78 31.58 .81 61.68 36.80 Maximum 2.17 61.82 1.76 83.95 62.20 Source: Annual report of elected banks by using SPSS version 20 Table 4.6 presents the descriptive statistics of various financial indicators over the study period. The Return on Assets (ROA) shows a mean ratio of 2.0211%, with

a minimum value of 1.78% and **a maximum value of** 2.17%, indicating **a** range **of 0** .39%. The **standard deviation**

for ROA is 0.129%, reflecting the variability of ROA over the ten- 39 year period. Similarly, the Capital Ratio (CR) has a mean of 49.5867%, ranging from a minimum of 31.58% to a maximum of 61.82%, with a range of 30.24%. The standard deviation for CR is 11.96%. The Fixed Assets to Total Assets Ratio has a mean of 1.0967%,

with a minimum value of 0 .81% and **a maximum of 1** .71%, indicating **a** range **of 0** .95%. The **standard deviation**

for this ratio is 0.297%. The Loan and Advance to Total Deposit Ratio has a mean of 71.05%, ranging from a minimum of 61.68% to a maximum of 83.95%, with a range of 22.27%. The standard deviation for this ratio is 7.32%. Regarding the Size variable (Number of Branches), the mean ratio is 48.044%,

with a minimum value of 25.40% and **a maximum of** 62.20%, showing **a** range **of**

36.80%. The standard deviation for Size is 5.99%. Lastly, the Total Debt to Total Assets Ratio has a mean of 89.92%, ranging from a minimum of 81.18% to a maximum of 102.92%, with a range of 21.74%. The standard deviation for this ratio is 5.99%. These descriptive statistics provide insights into the variability and distribution of financial indicators across the sampled banks over the study period. Table: 4.7 Correlations Matrix ROA CR TD/TA TA/TL Size Pearson Correlation Sig. (2-tailed) N Pearson Correlation Sig. (2-tailed) N Pearson Correlation Sig. (2-tailed) N Pearson Correlation Sig. (2-tailed) N Pearson Correlation Sig. (2-tailed) N ROA 1 10 -.251 .514 10 .498 .173 10 .699* .036 10 .197 .612 10 CR 1 10 -.104 .791 10 -.764* .016 10 -.846** .004 10 TD/TA TA/TL 1 10 .510 1 .160 10 10 .258 .669* .502 .049 10 10 Size 1 10 Source: Annual report of elected banks by using SPSS version 20 Table 4.7 presents the correlations among the study variables, with ROA and CR analyzed separately. The results indicate a negative correlation between ROA and CR, with a coefficient of 0.251. This suggests that as sample banks accumulate more profit and maintain optimal capital, ROA tends to decrease. However, the corresponding p-40 value of 0.514 exceeds the significance level of 0.05, indicating that this relationship is not statistically significant. On the other hand, TD/TA shows a positive correlation of 0.498 with ROA, indicating that sample banks effectively manage their fixed assets to total assets ratio, which enhances their asset quality. However, the corresponding p-value of 0.173 also

exceeds the significance level, indicating no statistically significant relationship between TD/TA and ROA. Similarly, TA/TL exhibits a positive correlation of 0.699 with ROA, suggesting a direct relationship between loan and advance to total deposit ratio and ROA. This relationship is statistically significant, as the p-value of 0.036 is less than the significance level of 0.05. However, the size of banks shows a positive relationship with ROA but lacks statistical significance. Finally, ROA shows a negative correlation of 0.110 with total debt to total assets ratio, indicating that as this ratio increases, ROA tends to decrease. However, the corresponding p-value of 0.779 exceeds the significance level, indicating no statistically significant relationship between total debt to total assets ratio and ROA. Table: 4.8 Model Summary Model R R Square Adjusted R Square Std. Error of the Estimate 1 .945a .893 .716 .06883 a. Predictors: (Constant, ROA), CR, TD/TA, TA/TL, and Size Table 4.8 shows that the regression model with ordinary least square (OLS) can be used. Similarly, the R-Square which is often referred to as the coefficient of determination of the variables is 89.3%. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 89.3% of the variability the Return on Assets of sample commercial banks. Table: 4.9ANOVA Tests Model 1 Regression Sum of Squares .119 Df 5 Mean Square .024 Residual Total .014 .133 3 8 .005 a. Dependent Variable: ROA b. Predictors: (Constant), CR, TD/TA, TA/TL, and Size F 5.028 Sig. .107b The table 4.9 presents the regression results with VIF test and F test of the model's goodness of fit. Findings from the Fishers ratio (i.e. the F-Statistics which is a proof of the validity of the estimated model) as reflected in above table, indicates that, the F statistic value about 5.028 and a p-value is also 0.107 which is ≥0.05.Since the VIF statistic is less than 10 for each independent variable, there is no Multi-co linearity among the independent variables. Table: 4.10 Coefficient Analysis Coefficients Model Unstandardized Standardized Coefficients Coefficients B Std. Error Beta 1 (Constant) -1.209 1.001 CR .001 .006 .128 TD/TA .020 .122 .046 TA/TL .026 .007 1.470 Size -.003 .006 -.209 a. Dependent Variable: ROA T Sig. -1.208 .314 .232 .832 .163 .881 3.576 .037 -.544 .624 This implies that the model explains approximately 89.3% of the systematic variation in the dependent variable. In other words, about 89.3% of the fluctuations in Return on Assets (ROA) of the selected commercial banks are explained by the model, while the remaining 10.7% of the variation in ROA is not accounted for by the model, possibly due to the influence of other unobserved variables. The regression coefficient of Earning per share (CR) is 0.001, indicating that a one-unit increase in earnings per share leads to a 0.1% increase in the average ROA. However, the corresponding p-value of 0.823 exceeds the significance level of 0.05, suggesting no statistically significant relationship between ROA and CR for the selected banks. Similarly,

the regression coefficient of Fixed Assets to Total Assets ratio (TD/ **TA**

) is 0.020, indicating that a one-unit increase in the fixed assets to total assets ratio results in a 2% increase in the average ROA. However, the corresponding p-value of 0.881 is above the significance level, indicating no statistically significant relationship between ROA and TD/TA. On the other hand, the coefficient of Loan and Advance to total deposit ratio (TA/TL) is 0.26, suggesting that a one-unit increase in the loan and advance to total deposit ratio leads to a 26% increase in the average ROA. The corresponding p-value of 0.037 is less than the significance level, indicating a statistically significant relationship between ROA and TA/TL for the sampled banks. Additionally, the coefficient of the Number of branches is -0.003, indicating that a one-unit increase in the number of branches results in a 0.3% decrease in the average ROA. However, the corresponding p-value of 0.624 exceeds the significance level, indicating no statistically significant relationship between ROA and the size of banks. Lastly, the coefficient of Total deposit to total assets is 0.016, suggesting that a one-unit increase in the total deposit to total assets ratio leads to a 1.6% decrease in the average ROA. The corresponding p-value of 0.096 is below the significance level, indicating a statistically significant relationship between ROA and total debt to total assets for the banks in question. 4.2 Major findings ? The loan and advance perspective reveals that GIBL bank is riskier compared to other sampled banks. NABIL has shown a higher percentage of total debt on total assets, indicating higher risk compared to

other banks. ? From an interpretation standpoint, EBL has the highest number of branches among the sampled banks, while SCBNL has the lowest number of branches over the ten- year period. In terms of consistency, NBL branches appear to be more consistent than those of other sampled banks. ? Descriptive statistics indicate that the mean return on assets (ROA) over the study period is 2.0211%, with a minimum value of 1.78% and a maximum value of 2.17%, representing a range of 0.39%. The mean for cash reserve (CR) is 49.5867%, ranging from a minimum of 31.58% to a maximum of 61.82%, with a range of 30.24% and a standard deviation of 11.96%. ? Fixed assets to total assets ratio has a mean of 1.0967%, ranging from 0.81% to 1.71%, with a range of 0.95% and a standard deviation of 0.297%. The loan and advance to total deposit ratio has a mean of 71.05%, ranging from 61.68% to 83.95%, with a range of 22.27% and a standard deviation of 7.32%. ? The relationship between ROA and CR shows a negative correlation of 0.251, indicating that as accumulated profits and optimal capital increase, ROA decreases. However, this correlation is not statistically significant, with a p-value of 0.514. Conversely, ROA is positively correlated with TD/TA at 0.498, suggesting effective management of fixed assets to total assets, but this correlation is also not statistically significant (p-value = 0.173). ? The relationship between TA/TL and ROA is positive at 0.699, indicating a direct relationship between loan and advance to total deposit ratio and ROA. This relationship is statistically significant (p-value = 0.036). Size of banks shows a positive relationship with ROA, but it is not statistically significant. ? For the cash reserve (CR), the regression coefficient for ROA is 12.704, suggesting that a 1% increase in ROA results in an increase of Rs. 1270.4 in CR. ? However, this relationship is not statistically significant, with a p-value of 0.832. The coefficient for fixed assets to total assets ratio (TD/TA) is 12.305, indicating that a 1% increase in TD/TA leads to an increase of Rs. 1230 in CR, but this relationship is also not statistically significant. ? The coefficient for loan and advance to total deposit ratio (TA/TL) is -1.012, indicating that a 1% increase in TA/TL leads to a decrease of Rs. 101.2 in CR. Similarly, the coefficient for the number of bank branches is -0.720, suggesting that a 1% increase in the number of branches results in a decrease of Rs. 72 in CR. ? Finally, the coefficient for total debt to total assets is 0.220, indicating that a 1% increase in total debt to total assets leads to a decrease of Rs. 22 in CR. However, none of these relationships are statistically significant. CHAPTER-V SUMMARY, CONCLUSIONAND RECOMENDATIONS 5.1 Summary The aim of this research is to assess the financial performance of seven commercial banks, including NABIL Bank Limited, Standard Charter Bank Nepal Limited, Bank of Kathmandu Limited, Everest Bank Limited, Nepal Bank Limited, and Rastriya Banijya Bank Limited, over the period from 2013/014 to 2022/023. This study employs quantitative analysis, focusing on various financial metrics commonly used to gauge bank performance. Key ratios examined include profitability, liquidity, tangibility, size, and capital structure, all of which serve as reliable indicators of bank performance. Furthermore, aggregate correlation and regression analyses are conducted to evaluate the significance of variables such as Return on Assets (ROA), Cash Reserve (CR), Size, Total Debt to Total Assets (TD/TA), Total Assets to Total Liabilities (TA/TL), and Total Debt to Total Assets (TD/TA) across the seven banks. The study reveals a notable overall improvement in the financial performance of the selected banks over the ten-year period. Descriptive statistical analyses are utilized to rank the banks' performances, assessing dispersion and stability-variability indicators. Additionally, the research assesses the financial stability of each bank by computing relevant ratios. The performance of each bank is then ranked based on mean values, standard deviations, coefficients of variation, and overall stability. The findings suggest that the selected banks generally performed well during the study period, with Everest Bank Limited demonstrating higher levels of liquidity, tangibility, profitability, and size compared to others. The study found a negative correlation between Return on Assets (ROA) and Cash Reserve (CR), indicating no significant relationship between them. However, ROA was positively correlated with Total Assets to Total Liabilities (TA/TL) and bank size, although statistically insignificant. Regression analysis revealed that ROA positively influenced Earning per Share (CR),

Fixed Assets to Total Assets ratio (TD/ **TA**), and **Loan and Advance to Total Deposit ratio**

(TA/TL), while negatively affecting the

number of branches and Total Debt to Total Assets ratio

. Conversely, CR positively impacted 45

Fixed Assets to Total Assets ratio but negatively impacted **Loan and Advance to Total Deposit ratio, number of branches, and Total Debt to Total Assets**

ratio. Overall, the study concluded that the sample banks maintained stability, adequate capitalization, and profitability, with ROA and Earning per Share significantly influencing profitability, particularly in terms of tangibility and liquidity. 5.2 Conclusion In conclusion, the study delved into an extensive analysis of the financial performance of several prominent Nepalese commercial banks over a ten-year period. Through descriptive statistics and regression analysis, various factors such as Return on Assets (ROA), Cash Reserve (CR), Total Debt

to Total Assets ratio (TD/ **TA), Total** Assets **to Total** Liabilities **ratio (TA**

/TL), and bank size were scrutinized to gauge their impact on profitability and overall stability. One significant finding of the study was the lack of a statistically significant relationship between ROA and CR, TD/TA, or TA/TL. However, a positive correlation was noted between ROA and TA/TL, suggesting that banks with a higher ratio of total assets to total liabilities tended to exhibit better profitability, although this relationship did not reach statistical significance. Additionally, while bank size demonstrated a positive relationship with ROA, this relationship was not statistically significant, indicating that larger banks did not necessarily outperform smaller ones in terms of profitability. The regression analysis revealed that ROA positively influenced Earning per Share (CR),

Fixed Assets to Total Assets ratio (TD/ **TA**), and **Loan and Advance to Total Deposit ratio**

(TA/TL). Conversely, ROA had a

negative impact on the **number of branches and Total Debt to Total Assets ratio**

, suggesting that a higher ratio of loans and advances to total deposits positively affected profitability, while excessive debt and a larger number of branches negatively impacted profitability. Overall, the study painted a picture of stability, adequate capitalization, and profitability within the Nepalese commercial banking sector. These findings underscore the importance of factors such as asset quality, liquidity, and capital adequacy in driving profitability and ensuring the soundness of financial institutions. Policymakers and stakeholders can leverage these insights to formulate strategies aimed at enhancing the 46 financial performance and stability of Nepalese commercial banks, thereby fostering sustainable growth and development within the sector. 5.3 Recommendation In essence, the conclusion underscores the pivotal role of the banking sector in supporting the broader financial system, especially amid the challenges posed by global economic integration and liberalization. To maintain relevance and competitiveness, Nepalese banks and financial institutions must innovate and diversify their product offerings while leveraging emerging technologies. Compliance with regulatory standards set by the Nepal Rastra Bank (NRB) is paramount for ensuring operational integrity. The observation of a high tangibility ratio above regulatory thresholds suggests potential inefficiencies in resource utilization, which could impede future profitability. Effective liquidity management, guided by NRB directives, is crucial for optimizing resource allocation and directing funds towards sectors with growth potential. Aggressive marketing strategies are essential for attracting deposits, while strategic talent acquisition and retention are vital for navigating competitive pressures. Strategies to enhance commercial bank

performance encompass prioritizing customer service excellence, fostering deposit growth, and maintaining asset quality. Diversification of investments into government securities and underserved sectors can mitigate risks and drive sustainable growth. Moreover, liberal lending practices, prudent credit allocation, and innovative marketing approaches are instrumental in fostering resilience. A strategic emphasis on rural banking and national development, facilitated by branch expansion, promotes financial inclusion and contributes to broader economic prosperity. Investing in human capital development is essential for nurturing a globally competitive workforce, with a focus on motivation, retention, and skill enhancement. Finally, optimizing service efficiency and cultivating a supportive work environment are crucial for continual performance enhancement. In essence, the implications underscore the importance of proactive measures to address evolving market dynamics and position Nepalese banks for sustained growth and resilience in an increasingly competitive landscape. 47 0 4 5 6 7 10 13 16 18 24 25 27 28 29 30 32 33 34 35 36 37 38 41 42 43 44

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CHAPTER-I INTRODUCTION 1.1 Background of the Study