Performance Evaluation of Manufacturing Companies

A Dissertation submitted to the Dean, Faculty of Management in partial fulfilment of the requirements for the Master's Degree

by

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July, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Performance Evaluation of Manufacturing Companies**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

……

Suman Pokhrel

REPORT OF RESEARCH COMMITTEE

Mr. Suman Pokhrel has defended research proposal entitled "**Performance Evaluation of Manufacturing Companies**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisors Keshar Singh Khati and Romakant Bhattarai and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Performance Evaluation of Manufacturing Companies**" presented by Suman Pokhrel a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ACKNOWLEDGEMENTS

This study entitled "**Performance Evaluation of Manufacturing Companies**" has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the use of quantitative aspect of dividend policy of commercial banks in Nepal

I have great satisfaction and pleasure to express my appreciation and sincerity to my thesis supervisors Keshar Singh Khati and Romakant Bhattarai of Shanker Dev Campus, TU for their excellent and effective guidance and supervision. I would remain thankful for their valuable direction useful suggestion and comments during the course of preparing this thesis without their help this work would not have come in this form. I also would like to extend my debt of gratitude Asso. Prof. Dr. Sajeeb Kumar Shrestha, Head of Research Department and I owe a deep debt of gratitude to Asso. Prof. Dr. Krishna Prasad Acharya, Campus Chief of Shanker Dev Campus who provided me an opportunity to undertake this research work. Similarly, I would like to express my sincere to my friends for their support, encouragement and help for this study work.

I highly appreciate to all the staffs of respective banks, NRB Library, Shanker Dev Campus Library and TU Central Library for their valuable advices and support in collecting and presenting the necessary data. I would also like to express my thankfulness to my friends, my family members as well as all known people who supported as well as inspired me directly or indirectly to complete this thesis. With help and support, I have been able to complete this work. I would like to take the responsibility of any possible mistakes that may have occurred in the report. I would be delighted to welcome readers for their suggestion and recommendation to improve the report.

Suman Pokhrel
July, 2024

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ABSTRACT

This study aimed to analyze the performance evaluation of manufacturing companies of Nepal. To achieve the specific objective of the study, descriptive and causal comparative research has been carried out. The study is conducted using panel data of three manufacturing companies of Nepal for the period 2012/13 to 2021/22. The dependent variable is profitability Return on Assets (ROA) and Earnings per Share (EPS) while the independent variables are total assets, total revenue, total cost and debt ratio. For the purpose of this study, the secondary data have been used. Regression analysis is used as a major tool of analysis. ROA is negatively impacted by total assets, total revenue and debt ratio, where total revenue and debt ratio is not significant even at 10% level of significance, but total assets which is negatively significant even at 5% level of significance.

The value of R-square is 49.31%, the P-value of regression is 0.0036 which is statistically significant at 0.05 level of significance. So, there is linear relationship of ROA with total assets, total revenue, total cost and debt ratio. As per the result of earnings per share, the value of R^2 of ROA and EPS is 49.31% and 74.86%, the P-value of regression is 0.0036 and 0.000 which is statistically significant at 1% and 5% level of significance. There is significant impact of total assets on Earning per share but insignificant impact of total revenue, total cost and debt ratio on earning per share of manufacturing companies. The results of the study could help companies and policymakers to take an effective action in order to improve performance and profit of manufacturing companies.

Keywords: Profitability, ROA, EPS, Loan and advance, Total Cost, Total Revenue, Debt Ratio

CHAPTER- I

INTRODUCTION

1.1 Background the Study

The financial industry is essential to the nation's economic growth. A financial institution is a resource mobilizing organization that takes deposits from a variety of sources and invests the amassed funds in profitable ventures such as industry, trade, commerce, agriculture, entertainment, and tourism. Manufacturing is the process of converting raw materials or parts into completed things by utilizing machines, manpower, chemicals, and tools. Businesses can sell completed goods for more money when they manufacture them than when they sell the raw materials. Mass production of products utilizing assembly line techniques and cutting-edge technologies is made possible by large-scale manufacturing. Manufacturers can benefit from economies of scale by using efficient production techniques to produce more units at a reduced cost (Anggono, 2017).

The process of converting raw materials or parts into completed commodities by means of machinery, manpower, chemicals, and tools is known as manufacturing. Before the Industrial Revolution, the majority of goods were created by hand with simple tools and human labor. Mass production, assembly line manufacturing, and the use of mechanization to produce items in greater quantities at a reduced cost were all products of the Industrial Revolution. Every month, financial analysts examine the ISM Manufacturing Report as a possible early warning system for the state of the economy and likely future direction of the stock market. Manufacturing can be categorized and defined using a variety of methods, procedures, and approaches (Dahal, 2013).

Nepal's manufacturing industry has been expanding gradually and is now a major contributor to the national economy. Among the well-known industries in the manufacturing sector are handicrafts, textiles, steel, cement, and food processing. The manufacturing sector of the nation has witnessed a significant influx of investment from both local and foreign businesses. Because of this, there have been a lot more manufacturing businesses in recent years, which has raised employment and contributed to general economic growth (Sahlu, 2016).

A small number of major firms, comprising both large multinational corporations and small to medium-sized enterprises (SMEs), dominate the Nepalese manufacturing industry. These businesses have made a name for themselves as leaders in their field and are vital to the expansion of the manufacturing sector. A significant and essential component of the economy is manufacturing. In order to create completed things like metal goods, furniture, and processed foods, raw materials like ore, wood, and food must be processed and refined. Value is added when these raw resources are transformed into something better. Because of this added value, manufacturing becomes a very profitable link in the supply chain when it comes to final product pricing. While some people are experts in the abilities needed to produce items, others give businesses the money they need to buy the supplies and equipment. As previously mentioned, increased production and cost savings can result from manufacturing efficiency (www.investopedia.com).

Over time, changes have occurred in the manufacturing process. Historically, raw materials have been used by people to make commodities. And they still do in some situations. Hand production employs more conventional methods and simple instruments. This type of manufacturing is frequently linked to the creation of textiles, leather goods, furniture, and certain metallurgy (Gautam, 2020).

Handmade items take a lot of time and labor to produce. They may fetch a premium price in certain instances, contingent upon the source and the nature of the merchandise. Handmade, unique fashion goods, for example, may command a greater price than mass-produced counterparts. However, there are instances in which individuals who produce things using these methods may be taken advantage of, particularly in areas with low labor laws and high job demand (Hawaldar et al., 2017).

Mechanization is used by larger companies to produce goods in large quantities. Because machines are involved in this process, material manipulation by hand is not always necessary. In the production process, very little human capital is needed, but highly skilled workers can be needed to operate and make sure that machinery is operating as intended (Mushafiq et al., 2023).

The term 3D printing is frequently used to describe this kind of production. It uses a specialized piece of equipment, such a 3D printer, to build shapes and patterns in three

dimensions by layering layers of material on top of one another (Nataraja et al., 2018). Utilizing new technologies, this approach enhances the production process. To further better serve their target consumers, businesses can add even more value to the raw commodities they employ. Modern technology also speed up the time it takes to launch new goods while boosting productivity (Ongore & Kusa, 2013). Within the manufacturing sector, this is typical. Businesses will collaborate and form alliances with other businesses in order to outsource specific production tasks. For instance, an automaker might contract with a different company to provide parts for its assembly lines (Pandian & Narendran, 2017).

1.2 Problem Statement

A basic procedure that offers details on the company's profitability, liquidity situation, earning potential, operational efficiency, creditworthiness, sources and uses of capital, financial accomplishments, and status is the analysis of financial performance. The data gathered can be utilized to assess the efficacy and efficiency of the business that uses its financial resources profitably (Shrestha, 2020).

Within the manufacturing sector, the banks who have managed to secure a notable portion of the Nepalese financial sector have demonstrated good performance in a little amount of time. The government's economic liberalization program has given international investors more opportunities. As a result, financial institutions and joint venture banks have quickly been incorporated. Currently, manufacturing enterprises face competition due to the increasing emergence of these businesses. There is inconsistency in Nepal's profitability, operating costs, and dividend payout to shareholders. Thus, the study's stated goal is to determine the cause of the variations in the manufacturing businesses' analyses in Nepal (Mishra S. 2018).

Both internal and external factors affect a bank's financial success. The balance sheets and profit and loss accounts show the internal elements, which are particular to each bank and result from the activities of the bank. Accordingly, a bank's financial performance is primarily determined by its own operations (internal variables) and the state of the economy as a whole (external factors) (Shrestha, 2020).

Increasing profits for its owners is a financial institution's (FI) primary goal. They were also founded to support Nepal's economic development process. The formulation and appropriate use of capital is the main issue facing nearly all developing nations, including Nepal. By taking deposits and offering different kinds of loans, numerous manufacturing enterprises have played a crucial part in preventing issues and subsequently contributing to the national economy (Wisdom, 2018).

Over the years, there have been several crises in Nepal's banking industry that have resulted in the failure of numerous banks, especially in the 1990s and early 2000s. In order to address the crisis head-on, consolidation has been made necessary. The crisis was fueled, among other things, by high numbers of non-performing loans and loan and provision provisioning, which resulted in profit dissipation, liquidity impairment, and poor asset quality (Budathoki, 2013).

It has been discovered that manufacturing enterprises only provide short-term loans secured by transportable goods. Long-term projects are hesitant to receive investments since they are safer and the project's potential for profit is not taken into account. The argument that commercial banks have solely benefited wealthy areas at the expense of the underprivileged has been made. This has directly hampered the country's ability to thrive economically (Athanasoglou, Sophocles, & Matthaios, 2005).

In order to determine the causes influencing variations in capital, profits, liquidity, and investment, the study also focuses on evaluating the financial performance and capital employment of manufacturing enterprises in Nepal. Additionally, the researcher looks at how closely the financial and management branches of the chosen banks adhere to the regulations set forth by the NRB. In particular, it addresses the following problems:

i. What is the profitability position of the selected manufacturing companies?
ii. Is there any relationship between Total Assets (TA), Total Revenue (TR), Total Cost (TC) on Return on assets (ROA) and Earning Per Share EPS of the company?
iii. What is the impact of Total Assets (TA), Total Revenue (TR) and Total cost (TC) on profitability position of sample company?

1.3 Objectives of the Study

Analyzing the sampled manufacturing enterprises' financial performance is the primary goal of this study. In addition, the ensuing are the particular goals:

i. To evaluate the profitability position of the selected manufacturing companies.
ii. To examine the relationship of Total Assets, Total Revenue, Total cost, Return on Assets and Earning per share of sample manufacturing companies.
iii. To analyse the effect of Total Assets (TA), Total Revenue (TR), Total Cost (TC) on Return on Assets (ROA) and Earning Per Share (EPS) of sample manufacturing companies.

1.4 Rationale of the Study

Nepal's manufacturing sector is growing every day. The country has been dealing with several challenges lately, and as a result, businesses are gradually failing. In this case, the study will help the businesses review their financial management and develop future plans that will enable them to achieve much greater success in the near future. A key component of managing overall financial performance is financial analysis, which eventually helps to increase shareholders' earnings per share.

In Nepal, businesses often overlook the importance of financial research while making decisions. As a result, several businesses have failed to turn a profit or have even folded. In order to help the company develop strategies and meet its goals, the research assesses the financial performance of the company. The significance of financial performance to decision-makers and the company's overall shareholders will also be emphasized by this study. This study will offer recommendations or be beneficial to upcoming researchers in the field. Without a doubt, this study will be significant to many different groups of people, but it is specifically targeted at the following groups of people:

Importance to shareholders

For example, if shareholders feel that the offered price is too low, they can effectively thwart takeover attempts. As a result, shareholders have a big say in how well a firm performs generally and makes money because they control most of its operations.

Importance to management team of the bank

A corporation can track and manage all of its bank relationships with the use of procedures and technology offered by bank relationship management. These include: Providing a single view of all accounts and bank-related activities worldwide. This covers foreign exchange, credit lines, bank accounts, and insurance.

Importance to customers

Your client is the most vital component of your business, regardless of the sector you operate in or the kinds of goods and services you offer. There are no sales if there is no customer. They are therefore essential to consider when creating your marketing strategy and messaging.

Importance to financial institution and stock exchange

Although they may appear complicated, financial markets serve as a means of facilitating trade and ensuring that capital goes where it is most needed. Markets give businesses the money they need to expand, recruit staff, and make investments. They give the government money to help pay for hospitals, schools, and new net profits.

Importance to government bodies and policy makers

The justifications for doing things a specific way and in that direction are found in government policy. There are countless ways that public problems might arise, and each calls for a unique set of policy solutions. Many business-guiding policies are established by governments.

Importance to the institutes

In addition to ensuring that resources are distributed fairly and that the impoverished or those with less financial resources are safeguarded, institutions also play a significant redistributive function in the economy. By offering justice and policing systems that follow a similar set of laws, they also promote confidence.

Importance to the researchers

The primary goals of research are to advance knowledge in a field of study, support hypotheses with evidence, and provide guidance for action. Research increases comprehension and judgment. It is the most useful instrument for comprehending the

complexities of an issue, rejecting falsehoods, defending the truth, and expanding on information to produce trustworthy and authentic knowledge. Research improves comprehension and strengthens one's capacity for making decisions.

1.5 Limitations of the Study

The study consists of certain limitations due to various reasons which are as follows

i. The authenticity of the report depends on the authenticity of the data provided and collected.
ii. The study analyses the ten-year data from 2012/13 to 2021/22.
iii. The study is limited of the financial performance and profitability norms for manufacturing companies.
iv. The focus is given to the quantitative aspects of the sampled manufacturing companies, qualitative factors are not studied.
v. Due to availability of limited information this study will not cover every part of the performance aspects. So this study may not be sufficient.
vi. Only selected statistical and financial tools have been employed in this study.
vii. This research is based on secondary data. Tile secondary data are collected from concerned organizations annual report and from journals.
viii. This sampling method is based on casual, judgmental method and convenience sampling method.
ix. This study is conducted partial fulfilment of the requirements for the Master’s Degree.

CHAPTER- II

LITERATURE REVIEW

The review of pertinent literature on the subject of "Impact of Loan and Advance on Financial Performance of Manufacturing Companies" is the focus of this chapter. Examining existing literature can help one become more knowledgeable in their field, identify any new contributions, and generate ideas for new study designs. Since earlier research served as the basis for this one, it is therefore impossible to disregard them. This chapter summarizes the material that is currently available on the subject, based on my knowledge, research, and pertinent studies on this subject. It also includes reviews of journals, publications, and previously completed theses. The following topics are examined under this heading.

- Theoretical Review
- Conceptual Review
- Empirical Review

2.1 Theoretical Review

2.1.1 Efficient Markets Hypothesis Theory

Debate surrounds the efficient markets hypothesis (EMH). According to the EMH, all available information about a stock is factored into the market price of that stock. This implies that the stock's valuation is accurate up until a future event modifies it. An EMH believer would be significantly better off purchasing a broad range of equities and benefiting from the market's overall gain because the future is unpredictable. Either you accept it and stick to passive, broad market investment strategies, or you reject it and concentrate on selecting stocks that meet certain criteria, such as growth potential, inexpensive assets, etc. Warren Buffett and other investors who have routinely outperformed the market by identifying irrational pricing within the broader market are cited by EMH critics.

2.1.2 Fifty-Percent Principle Theory

According to the fifty percent concept, an observed trend will have a price correction equal to half to two thirds of the price change before continuing. This implies that a stock that has been rising at a rate of 20% will fall back 10% before rising again. This is

an extreme example since, in most cases, traders and technical analysts use this rule to purchase and sell on short-term trends. Since this correction is typically the result of cautious investors collecting profits early in order to prevent being caught up in a true trend reversal later on, it is seen to be a normal component of the trend. It is regarded as an indication that the trend has failed and the reverse has occurred too soon if the correction is greater than 50% of the price change.

2.1.3 Greater Fool Theory

According to the larger fool theory, you can make money on investments as long as someone more foolish than you is purchasing them at a higher price. This implies that if someone else is prepared to pay extra to purchase an overvalued stock from you, you could profit from it.

Any investment eventually runs out of idiots because the market gets too hot. Investing based on the larger fool theory entails disregarding earnings reports, valuations, and other relevant information. People who subscribe to the greater fool idea may come up on the short end of the stick following a market correction since ignoring facts can be just as dangerous as giving it too much weight.

2.1.4 Odd Lot Theory

The odd lot idea uses sales of odd lots, or tiny blocks of stock owned by individual individuals, as a signal when to make an investment in a company. When small investors sell out, investors that subscribe to the odd lot hypothesis buy in. The primary premise is that tiny investors are almost always in the wrong.

The odd lot hypothesis is a contrarian approach that measures odd lot sales using a very basic kind of technical analysis. The degree to which an investor or trader applies the theory to his investments is largely determined by whether he investigates the companies the theory recommends or just makes a snap decision. Since small investors won't always be correct or incorrect, it's critical to differentiate between odd lot sales that result from a low risk tolerance and odd lot sales that are the result of more serious issues. Odd lot sales may not be the result of small-time investors making a mistake, but

rather a sign of a larger sell-off in a failing business, as individual investors are more flexible than large funds and can respond to bad news more quickly.

2.1.5 Prospect Theory

The loss-aversion hypothesis is another name for the prospect theory. According to prospect theory, people's views of gain and loss are distorted. In other words, people are less motivated by a win and more terrified of a defeat. When presented with two options, people will choose the one they believe has a lower likelihood of failing rather than the one that seems to offer the greatest profits.

If you were to present someone with two investment options, for instance, one that has returned 5% annually and the other that has returned 12%, lost 2.5%, and returned 6% in the same years, they would choose the 5% investment because they place an unreasonable amount of weight on the one loss and disregard the larger gains. After three years, both options in the aforementioned scenario yield the net total return.

Investors and financial professionals should understand prospect theory. The risk/reward trade-off helps investors understand how much risk they need to take on in order to reach the desired rewards, yet prospect theory indicates that most people only fully comprehend what they know intellectually. Rather than focusing on reward preferences, the problem facing financial professionals is tailoring a portfolio to the risk profile of their clients. The task facing investors is to rise above prospect theory's pessimistic forecasts and have the courage necessary to achieve their desired profits.

2.1.6 Rational Expectations Theory

According to the rational expectations hypothesis, participants in an economy will behave in a way that makes sense going forward. In other words, one will make investments, spend money, etc. according on what they reasonably think will occur in the future. In doing so, that individual contributes to the future occurrence by making a self-fulfilling prophesy.

Though this theory has grown in importance within economics, its applicability is questionable. For instance, when an investor purchases a stock because they believe it

will increase in value, the stock does so as a result of their actions. The rational expectations theory can be applied to this same transaction in a different way. When an investor finds an undervalued stock, he or she purchases it and waits for other investors to follow suit, driving up the price of the stock to its correct market value. This draws attention to the primary issue with the rational expectations theory: Although it can be altered to explain everything, www.investopedia.com states that it reveals nothing.

2.1.7 Short Interest Theory

On the surface, short interest theory seems illogical; it holds that a spike in short interest precedes a rise in the price of the stock. It makes logical to believe that a company that has a high short interest rate—that is, a stock that a large number of investors are shorting—is about to undergo a correction. The argument says that there can't be any errors given the number of traders, thousands of experts, and individuals who carefully examine every bit of market data. They might be somewhat correct, but because the stock is massively shorted, it might actually climb. Eventually, short sellers must purchase the stock they have shorted in order to cover their positions. As a result, the share price will rise due to the buying pressure that short sellers' covering of their positions creates.

Analyzing a company's financial operations with the goal of maximizing value is known as financial performance analysis. Effective and efficient decision-making is essential for better financial activities, and outstanding financial performance from these improved financial activities leads to the organization's success.

The core of financial decision-making is financial performance analysis. An enterprise's financial performance has a direct impact on its growth and development, and when accurate facts and figures are sorted out, an enterprise's financial performance is accurate. Enterprises are motivated to produce a certain amount of profit (Q). One of the key indicators of a company's strong financial performance is the amount of profit earned.

"Profit earned by the firm is the main financial performance indicators of business enterprises." Analyzing financial performance helps one gain a better knowledge of a company's strengths and weaknesses. It therefore makes use of a variety of financial

statements. The income statement, which summarizes the company's profitability throughout time, follows after the balance sheet, which shows the company's current financial situation (Robinson, 1951).

The primary predictor of a company's success or failure is financial performance analysis, which is a component of financial management. Its choice is crucial to boosting profitability because it examines the firm's efficiency and historical performance using financial records and accounting data. For a business to thrive, make long-term growth, and keep enough capital through retained earnings, it must make a profit. Profit, however, is not the only factor that can forecast a company's financial success. From the perspectives of investors, stakeholders, financial institutions, and the country at large, the business firm's financial situation should be solid. However, one of the areas of public enterprises in Nepal that is most overlooked is their financial component. Joint venture banks have, meanwhile, been evaluating their financial performance in order to promptly take corrective measures, but this has also been restricted within the banks.

Manufacturing businesses are essential to Nepal's economic development, and among the top businesses in this regard are Dabur Nepal, Unilever, and Bottlers Nepal. When compared to other businesses, this one has done quite well in terms of market share and profitability because to its competent and dependable customer services. Thus, it would be transparent and easy to assess the financial performance of these top Nepali enterprises using a range of financial measurement instruments in order to learn about their earnings and how they are being used to support the nation's economic growth.

One way to think about financial performance analysis is as the soul of the financial choices. Any company firm's ability to expand and thrive is strongly impacted by its financial practices. Maintaining relationships with banks and other financial institutions, generating essential funds, and keeping accurate records are all too important for a rational evaluation of the financial performance management in public organizations. However, one of the most overlooked facets of public businesses in Nepal is their financial component. Joint venture banks, however, have examined financial results in order to make necessary corrections. However, their study is

restricted to the bank. Financial performance is a component of financial management, and the firm's decisions have an impact on a variety of institutions.

In order to implement a sound financial management system for internal business control, the company's management is interested in all facets of financial analysis. Likewise, the firm's liquidity holdings are the main focus of trade creditors. Long-term creditors are more concerned about the company's capacity to pay off debt with its cash flow. Every party that is involved is either directly or indirectly interested in the company's financial performance. A meaningful comprehension of the firm's performance and financial condition is not possible with the absolute accounting figures given in the financial statement, balance sheet, profit and loss account, and other accounts. Financial analysis, then, is the primary qualitative judgment process that determines the firm's strengths and weaknesses in terms of finances by correctly establishing the relationship between the items in the profit and loss account and the balance sheet.

2.2 Conceptual Review

2.2.1 Concept of Financial Analysis

Finding a concern's financial strengths and weaknesses is done through financial analysis. It is the process of closely analyzing and critically assessing the accounting data provided in the financial statement in order to better comprehend the performance and financial status of the company. It is carried out to ascertain the organization's situation with regard to liquidity, solvency, efficiency, and profitability. By supplying them with sufficient information, it satisfies the needs of the relevant stakeholders, including the government, the public, potential investors, shareholders, short- and long-term creditors, and management itself, about their vested interests.

A company unit's economic and financial situation can be comprehensively examined using ratio analysis, which is such a potent instrument for financial analysis (Kothari, 1991).

Financial analysis is the act of correctly creating a relationship between the items on the balance sheet and the profit and loss account in order to determine the firm's financial strengths and weaknesses (Pandey, 2010).

A company's financial analysis includes a variety of indications, the most important of which are financial statement analysis, ratio analysis, sources and uses of cash, and measures of the firm's strength and weakness. However, in this case, the study's primary focus is on ratio analysis along with a few other financial indicators to examine the bank's performance and financial situation. From the perspective of the firm's investment, a quantitative assessment of the company's financial performance and position should be made. A ratio can be described as the relationship between two or more figures or as the stated quotient of two mathematical expressions.

Financial analysis is the study of the trends in these parameters as shown by a series of statements and the relationships between the numerous financial factors in a business as reported by a single set of statements. The financial analysis reveals the relevance and meaning of items on a balance sheet and income statement by strategically connecting them with operational data. Financial statement analysis is required because, despite their effectiveness in achieving their goals, the balance sheet, profit and loss account, and fund flow statements are unable to satisfy the demands of various interests. They should be examined in order to extract pertinent information based on individual needs. A lot of people employ ratio analysis. It is described as the methodical application of ratios to the interpretation of financial accounts in order to ascertain a company's strengths and weaknesses, past performance, and present financial situation. The three main decisions a company can make are which to invest in, which to finance, and which to distribute as a dividend are the functions of financial analysis. A mix of the three choices that maximizes the firm's value will be ideal.

Ratio analysis is one of the most effective and popular tools in financial analysis. The term ratio refers to the numerical or quantitative relationship between two objects. A ratio is the mathematical expression of the relationship between two accounting statistics. There are three ways to express this type of relationship: proportion, fraction,

and percentage to number. Ratio is useful for summarizing vast amounts of financial data and for qualitative performance evaluation.

2.2.2 Objectives of Financial Analysis

Basically there are three major objective of financial analysis.

- To choose the financial data points that are pertinent to a specific issue.
- To integrate these into an understanding of the issue that takes into account the goals and financial capabilities of the company.
- To offer an alternate approach to the issue.
- To evaluate the company's potential for profit both now and in the future.
- To ascertain the overall and individual divisional/departmental operating efficiency of the company.
- To determine if the issue can be resolved both now and in the future.
- To do a comparative analysis of one company with another.
- To assess the potential for future development while creating forecasts and budgets.
- The true importance and meaning of financial data are examined in the analysis of a business's financial stability.
- To determine the fund's long-term liquidity
- Actually, the analyst determines the goal of the study based on the caliber of the accessible data.

2.2.3 Importance of Financial Analysis

A company's financial stability and well-being are revealed through financial performance analysis. It aids in assessing the existing situation and making plans for the future business plan. The degree of profitability attained is the primary indicator of a company's capacity for expansion in the future. Thus, there is a clear connection between a company's ability to generate profits and its use of financial resources. The significance of using financial data varies depending on the individual interests of the parties involved, and a firm's financial success might have an impact on those interests. Accordingly, there are various reasons why the financial performance analysis is significant (Bhandari, 2003).

Shareholders

The proprietors of the corporation are its shareholders. Time and time again, they might have to decide whether to sell their company shares or keep hanging onto them. The financial statement analysis is crucial since it gives shareholders relevant information to use when making these kinds of decisions. Since they have invested their money in the company, shareholders are also concerned with the stability of the earnings, both projected and actual (K.C., 2013).

Management

The management team is in charge of making choices and creating long-term strategies and guidelines. To accomplish the company's objective, they must so constantly assess the performance and efficacy of their actions. Thus, it is imperative that the management team of the organization remains updated about the company's performance. Thus, internal control, improved financial condition, and improved performance are their main areas of interest. Information regarding the current financial condition, opportunities related to this position, return on investment offered by the company's various assets, etc., are also included (Bhandari, 2003).

Creditors / Depositors / Capital Providers

Since the bank's liquidity is provided by its debtors and depositors. They are looking for their deposits to be safe. Performance will improve with adequate liquidity management. Therefore, they consider the bank's performance while deciding whether to maintain or raise the deposit restrictions, among other things. (Source: Robinson, 1951).

Investors

In order to safeguard their wealth and get a respectable return, investors are constantly looking for potentially lucrative alternatives to invest their funds. They search for stability in these earnings, as well as current and anticipated future earnings, across the main funding sources and uses (Smith, 1976).

2.2.4 Limitation of Financial Analysis

For investors, creditors, managers, economists, and other parties with an interest in company, financial analysis is extremely important. It aids management in making

decisions about the future and assessing how well it performed in the past. But it is not without its problems. The following is a list of its drawbacks (Bhandari, 2003).

Historical Nature

Financial analysis is fundamentally historical. The past will never be an exact and reliable predictor of the future, nor will it ever be entirely beneficial for planning and forecasting the future (Bhandari, 2003).

No Substitute for Judgment

Expert analysis uses financial analysis tools to assess a company's financial performance. Because of this, using it in an inexperienced analysis could result in a false conclusion (Bhandari, 2003).

Reliability of Figures

The validity of the financial statements under examination's numbers determines the validity of the analysis. The manipulation of the income statement, window dressing in the balance sheet, dubious methods used by the accountant to value fixed assets, and other similar facts would contaminate the entire analysis process (Bhandari, 2003).

Change in Accounting Methods

If the numbers obtained from the financial statement are comparable, the analysis will be successful. Owing to modifications in accounting procedures, the statistics from the present period might not have a comparable base, rendering the entire analysis exercise pointless (Bhandari, 2003).

Selection of Appropriate Tool

Various analysis tools are available for the analysis. The analyst's aptitude, experience, knowledge, and skill will determine which tools are best in a given scenario. When the improper instruments are employed, it can provide false results and lead to the wrong conclusion, both of which could be detrimental to the interests of the company (Bhandari, 2003).

2.2.5 Uses of Financial Analysis

Financial statements are condensed versions of an organization's financial information. The balance sheet, income statement, statement of changes in financial position, and statement of retained earnings are the four most often used financial statements. Management, employees, creditors, investors, and government regulatory bodies are the main users of these statements. Financial statements can be prepared for manufacturers, service providers, merchants, wholesalers, non-profit organizations, and private people. The type of information available in the financial statements is significantly influenced by the nature of the associated firm. Major financial statement users are shown in the table below, along with their areas of interest (Smith, 1976).

Owners

Financial analysts at a company will probably review the company's previous and present financial accounts if the company is interested in investing in any business. Finding potential flaws and any trouble spots that need to be discussed with business owners would be the goal.

Investors

Profitability and investment are used because these factors are more important to them than business success in terms of profitability, investment safety and security, and investment development potential.

Government

Consider profitability since the government may base taxes, grants, and subsidies on it.

Employees

Because employees will be worried about their job security, bonuses, the continuation of the business, and pay negotiations, use profitability, liquidity, and activity.

Creditors

Before you extend and keep extending loans to a trading partner, use financial statements to determine their creditworthiness. By contrasting the company's current assets and current liabilities, they can determine how liquid it is.

2.2.6 Financial Analysis in Banking Industry

With the incorporation of Nepal Bank Limited in 1937, the country's modern commercial banking history began. But the then-HMG/Nepal did not begin to liberalize the banking industry in the nation until 1984. Particularly following the return of democracy in 1990, the private sector poured money into the finance industry. The Nepali banking industry has seen significant changes over the past three decades as a result of the NRB's major policy changes, which included the deregulation of interest rates, the use of open market operations as the primary policy tool and indirect methods of monetary control, the elimination of the statutory provision of liquidity ratio, a market-based foreign exchange system, flexible licensing policy, and a prudential legal framework. These changes also resulted in the entry of foreign joint-venture banks and domestic private banks into the market and expanded the scale and scope of the banks' operations (Adhikari & Shrestha, 2006).

The impact of these modifications on the bank's ability to operate efficiently is growing in importance in this field. However, a review and analysis of earlier research reveals that these problems have not received enough attention. By offering more complex insights into bank performance and operation, analyses using non-parametric frontier techniques in performance evaluation might improve our knowledge of the banking system. It makes it possible to conduct an extensive analysis that takes into account numerous variables and encourages more precise comparisons between institutions.

The expansion of the banking industry in Nepal during the last ten to twelve years has been marked by a rise in the number of participants and an increase in the industry's asset base. Nonetheless, the industry has stayed primarily concentrated in metropolitan areas, despite a slight increase in penetration; this is consistent with the nation's weak economic and political decentralization. There is fierce rivalry among the competitors for the few available business opportunities as a result of the industry's significant growth in players without a corresponding rise in penetration or the base of borrowers and depositors. Due to the quick rise in the number of players in the banking sector, the NRB ceased granting new BFI licenses in FY2012 and instead promoted BFI mergers by lowering regulatory requirements and offering tax breaks. This action established the framework for the BFI merger in coming years.

In contrast to the manufacturing sector, banks engage in capital or money trade. As a result, some ratios created for the manufacturing sector are irrelevant to banks. There are ratios that need to be modified, even though some of them are irrelevant. For instance, interest costs are small in the manufacturing sector but significant in the banking sector. Furthermore, there are some things that are challenging to measure. For example, to calculate the current ratio—which involves both current assets and current liabilities—we can evaluate liquidity. However, it appears that this information is not included in the financial accounts, thus it must be gathered from internal sources. For instance, in order to determine whether or not loans and advances are current, we must understand the term structure of term deposits. The study employs the following financial ratios to measure credit or loan, liquidity, profitability, and development of the commercial bank of Nepal, taking into account the unique characteristics of the banking industry (Thapa, 2019).

2.3 Empirical Review

Huang et al. (2024) examined the effect of voluntary disclosure on financial performance: Empirical study on manufacturing industry in Indonesia. The goal of this research is to find out how corporate social responsibility (CSR) affects manufacturing companies in the LQ45 Index's Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). Utilizing the purposive testing method, an example of all assembling undertakings remembered for the LQ45 File populace for this review was taken. This study makes use of secondary data from the CSRI based on the Global Reporting Initiative (GRI) G4 standard for the years 2018–2020 and the annual reports of companies in the manufacturing industrial sector that are included on the LQ45 Index. Moreover, this review's information investigation incorporated the utilization of a quantitative system, graphic factual procedures, conventional suspicion tests, and fundamental direct relapse examination. While CSR has a significant impact on ROA, the study found that it has no effect on ROE or NPM for LQ45 manufacturers. Deals for the organization will move alongside expanded client dedication, which will support benefit. This article investigates a subject that has not been recently researched in Indonesia Assembling Public Organizations: the likely connections between monetary achievement and corporate social obligation.

Weston and Nnadi (2024) argued on Evaluation of strategic and financial variables of corporate sustainability and ESG policies on corporate finance performance. To exhibit an association between corporate social obligation (CSR) and corporate monetary execution (CFP), this article plays out various tests. This article adds a strategic management component by outlining several frameworks that businesses can use in their decision-making process and incorporating CSR and Environmental, Social, and Governance (ESG) principles when making investment decisions. The I Offers MSCI KLD 400 Social trade exchanged store (ETF), the I Offers Center S&P 500 ETF, and organizations sticking to the Standards for Mindful Money management (PRI) contain the example chose for this exploration. Companies that adhere to the Principles of Responsible Investment outperform those that do not, despite the fact that there is little evidence to suggest that ethical ETFs perform better than conventional ones overall.

Sandberg, Alnoor and Tiberius (2023) explored on Environmental, social, and governance ratings and financial performance: Evidence from the European food industry. This study aims to investigate how ESG ratings affect financial performance in the European food industry. The connection between ESG evaluations and monetary achievement is inspected involving customary least squares relapse for the four-year time frame somewhere in the range of 2017 and 2020. ESG ratings are derived from the CSR Hub database, and profitability metrics like Return on Equity (ROE) and Return on Assets (ROA) are used to measure financial performance. Higher ESG ratings are positively correlated with increased financial success, according to the findings. The consequences of the ongoing review affirm prior discoveries that there is a positive relationship between's monetary exhibition and ESG evaluations, regardless of the impact being little. However, they also emphasize that ESG ratings strongly converge to the mean, requiring a reevaluation of their capacity to accurately reflect actual ESG behavior.

Serhii et al. (2023) conducted on the impact of financial performance on the profitability of advertising agencies in the Slovak Republic. The goal of this study is to find out how financial performance affects advertising agencies in Slovakia's profitability. Regression modeling was used to look at a sample of 88 advertising businesses in Slovakia using data from the financial statements for the fiscal year 2020. Return on Resources, a dependent variable that describes the monetary progress of promoting organizations, is influenced by

firm size and all-out resources turnover, according to research. On the other hand, the obligation to value proportion is negatively impacted.

Muliani, Akhyar and Maimunah (2023) investigated the impact of financial performance and profit management on the value of businesses in the building materials construction subsector. The objective of the audit is to take a gander at the impact of efficiency, capital plan, liquidity, and benefit the board on the association regard in building materials is the place of the survey. Different straight backslide was the data examination technique used, and Eviews 12 was used. The majority of the findings demonstrated that profitability and capital structure had a positive and significant impact, while earnings management and liquidity had no discernible effect on business value.

Yasmin (2022) studied macroeconomic variables and the financial sustainability of microfinance institutions: A South Asian case study. The inspiration driving this study is to conclude the manner by which macroeconomic decisions impact miniature level decisions in the microfinance business in South Asia by dissecting the money related sensibility of microfinance associations (MFIs) inside the monetary design. Utilizing a fixed-impact model (FEM), the observational examination views at the lopsidedness board information of microfinance foundations as well as macroeconomic factors. The discoveries exhibit that monetary markers, for example, human turn of events, expansion, loan fees, confidential loaning, and workforce interest adversely affect monetary manageability, except for Gross domestic product development. The generally speaking monetary outcomes appear to be significant according to the point of view of MFIs that put a high worth on great administration. Experts in both public and private microfinance should carefully evaluate macroeconomic arrangements as well in order to guarantee MFIs' monetary viability.

Agaba and Eton (2022) studied the loan performance and credit risk management tactics of Ugandan microfinance organizations. The reason for the review is to explore the association between advance execution and systems for credit risk the board. The study's objective was to determine how mobile banking affects the performance of microfinance institutions. In July 2016, the review, which focused on Value Bank Kenya Restricted, Co-employable Bank of Kenya Restricted, KCB Bank Kenya Restricted, and Family Bank Kenya Restricted, was conducted. The specialist utilized an illustrative exploration

plan. The review utilized intentional testing, and that implies that main those individuals who were explicitly designated given the essential data. Regression analysis and descriptive statistics (means, percentages, and standard deviation) were used to examine the data. The review tracked down serious areas of strength for a between credit execution and the recognizable proof, assessment, observing, and the executives of credit risk. The report also found that mobile banking is efficient, safe, and useful, and it supports the volume of transactions in business banks. Additionally, it makes it easier for the unbanked population to access banks. The report suggests that policymakers consider portable financial while drafting regulations because of mechanical headways and the expected shift from actual branch organizations to carefully empowered financial administrations.

Kori, Muathe, and Maina (2020) examined the role of strategic intelligence in the context of commercial banks in Kenya. The survey included both financial and non-money related norms in execution appraisal. This paper gives an extensive glance at how business banks utilize vital knowledge in Kenya. The essential goal was to utilize both monetary and non-monetary execution measurements to assess the exhibition of business banks. Inside cycles, learning and improvement, and customer dedication were non-financial principles, while return on esteem (ROE) was one of the money related measures. Descriptive statistics and linear multiple regression were used to examine the data. According to the study's findings, there is a statistically significant link between strategic intelligence and the performance of Kenya's commercial banks. Non-financial and financial performance indicators also contribute to the expansion of the banking sector and the Kenyan economy. According to the study, Kenyan commercial banks should use a balanced scorecard to ensure that their priorities for strategy implementation and training are in line with the interests of investors.

Ndungu and Bosire (2020) argued on the factors influencing the financial performance of Kenyan commercial banks listed on the NSE. The motivation behind this study was to distinguish the variables that impact the monetary presentation of Kenyan business banks recorded on the NSE. A census method was used to focus on eleven Kenyan listed commercial banks in the descriptive study design. To spread out a connection between the assessments factors, the survey used discretionary data taken from the assessed money related records of the recently referenced banks. Using a data collection matrix,

information regarding the listed banks' financial impact was gathered. The data were examined using SPSS, and the results, which included means and standard deviations, were presented in tables. According to the report, credit risk, liquidity risk, market risk, and operational risk may account for 31.42 percent of the financial performance of the listed commercial banks. Market risk, operation risk, and credit risk, respectively, have a significant and negative impact on the financial performance of the listed commercial banks.

Nalianya and Miroga (2020) studied on determinants of financial performance of commercial banks in Kenya: case of listed banks on the Nairobi Securities Exchange (NSE). The scientists state that the new increase in consolidation and procurement action is convincing proof that Kenya's financial area is solidifying. The study's population consisted of 244 bank employees working in the finance and operations departments of 11 listed Kenyan commercial banks as of December 31, 2016. The research approach of the study was a descriptive research design. From the populace, an irregular example of 63 respondents was chosen. Relapse examination, relationship examination, and information gathering were used to conclude the information investigation. The study found that Kenya's listed commercial banks' financial performance was significantly impacted by liquidity, capital adequacy, operating expenses, and leverage. Influence had the most huge and advantageous impact on business banks' monetary presentation. Subsequently, the review suggested that public-exchanged business bank supervisors carry out a forceful credit strategy to boost the usage of obligation for capital consumptions and work on the organization's monetary execution.

Mwangi (2018) examined the impact of size on the financial performance of Kenyan commercial banks. There is currently no convincing empirical evidence to support the hypothesis that the size of commercial banks affects their financial success. Thus, the goal of the review was to determine the size's impact on the benefit of Kenya's business banks. The review utilized a board of all Kenyan business banks that was lopsided and covered the nine-year time frame from 2007 to 2016 (numbers went from 39 to 43). Relapse examination was utilized to research the association between monetary execution (return on value and return on resources) and size (estimated as the log of complete resources). It was discovered that the financial performance of Kenyan commercial banks was positively influenced by their size. Additionally, as the commercial bank grew in

size, the effects got worse. The report recommends that shareholders and managers also carry out expansion plans with the intention of expanding the size of commercial banks through internal production, fund raising, or mergers and acquisitions.

Akanbi and Adewoye (2018) researched on the impact of adopting an accounting information system on the financial performance of commercial banks in Nigeria. Given the significant impact they have on daily life, it is essential to examine the numerous advancements that have enabled commercial banks' services to perform better financially. As a result, the adoption of Accounting Information Systems (AIS) by Nigerian commercial banks was the focus of this study. The review was conducted in the Lekki Promontory Area of Lagos State, Nigeria. The examination's eighty participants were chosen at random from each of the sixteen commercial banks in this study area. In Nigeria, parts of 75% of business banks are situated here. To become familiar with AIS reception and the degree of it at these banks, polls were disseminated to the respondents. Gross Profit Margin (GPM), Return on Capital Equity (ROCE), Return on Total Asset (ROTA), and Net Operating Profit (NOP) were all included in the selected commercial banks' financial reports from 2007 to 2017. The effect of AIS on bank performance and the stability of the assessment instrument were evaluated using the Cronbach's alpha test and a straightforward linear regression test. According to the survey, commercial banks in Nigeria have adopted and are using AIS to provide relatively high-quality services to their customers. ROCE, ROTA, GPM, and NOP—all performance metrics—had a positive and significant correlation with AIS adoption.

Yusuf and Surjaatmadja (2018) analyzed on the analysis of financial performance on profitability using non-performance financing as variable moderation. From 2012 to 2016, work at a Sharia-compliant bank in Indonesia. The point of this study is to decide the effect of the capital sufficiency proportion (Vehicle) and funding to store proportion (FCRR) on productivity (proxied utilizing return on resources [ROA]), utilizing non-performing supporting (NPF) as a directing variable. Researchers say that banks' profitability is measured by how quickly and effectively they can make a profit. The audit's general population contains 12 sharia business banks working in Indonesia some place in the scope of 2012 and 2016. "Purposeful sampling," which involves selecting samples based on predetermined criteria, was used in this study to collect samples from up to 11 banks. This study relied on secondary sources for its data. The multiple linear

regression technique was used to analyze the data. In the meantime, use moderated regression analysis to see how the moderating variable affects the relationship between the independent and dependent variables. BOPO affected benefit, while Vehicle and FCRR made a critical positive difference, as indicated by the discoveries. The NPF has little effect on the relationship between BOPO and profitability, but it has a significant negative impact on the relationship between CAR and profitability and FCRR and profitability. However, as a moderating variable, NPF is unable to moderate the FCRR's and CAR's relationships with ROA and has a significant negative impact on both of these relationships. BOPO was connected to an Indonesian government bank that offered sharia from 2012 to 2016.

Robin, Salim, and Bloch (2018) examined on financial performance of commercial banks in the post-reform era: Further evidence from Bangladesh. This study examines commercial bank profitability metrics before, during, and after Bangladesh's financial liberalization. The survey uses bank-level yearly data from basic business banks in Bangladesh for the years 1983-2012 and a board data backslide framework. The banks' net revenue edge (NIM) has expanded regardless of the way that monetary change altogether affects their profit from value (ROE) or return on resource (ROA). Furthermore, the discoveries show that resource quality and capital strength are the essential determinants of benefit. As a result, Bangladesh's banking industry's sustainability depends on a suitable banking strategy that aims to improve asset quality and capital base.

Table 1

Summary of Empirical review

Date	Author (S)	Title	Objectives	Methodology	Findings
2024	Huang et al.	the effect of voluntary disclosure on financial performance: Empirical	to ascertain how Return on Assets (ROA), Return on Equity	Using the purposive sampling technique, a sample of all manufacturi	While CSR has a significant impact on ROA, the study found that it has no effect on ROE or NPM for LQ45 manufacturers. Deals for

		study on manufacturing industry in Indonesia	(ROE), and Net Profit Margin (NPM) of manufacturing companies	ng enterprises included in the LQ45 Index population for this study was taken.	the organization will move alongside expanded client unwaveringness, which will help benefit.
2024	Weston and Nnadi	Evaluation of strategic and financial variables of corporate sustainability and ESG policies on corporate finance performance.	to demonstrate a connection between corporate social responsibility (CSR) and corporate financial performance (CFP)	This study performs a number of tests i.e. hypothesis T-Test and Z-Test	This article adds a strategic management component to the decision-making process by incorporating CSR and Environmental, Social, and Governance (ESG) principles when making investment decisions, according to the study's findings. The sample chosen for this study consists of companies that adhere to the Principles for Responsible Investing (PRI) and the I Shares MSCI KLD 400 Social exchange traded fund (ETF).
2023	Sandberg, Alnoor and	Environmental, social, and governance	to look into how financial performance in the	The study examined using ordinary	The consequences of the ongoing review affirm prior discoveries that there is a positive

	Tiberius	ratings and financial performance: Evidence from the European food industry.	European food business is affected by ESG ratings	least squares regression for the four-year period between 2017 and 2020	relationship between's monetary exhibition and ESG evaluations, regardless of the impact being little. However, they also emphasize that ESG ratings strongly converge to the mean, requiring a reevaluation of their capacity to accurately reflect actual ESG behavior.
2023	Serhii	The impact of financial performance on the profitability of advertising agencies in the Slovak Republic	To analyze the impact of financial performance on the profitability of advertising agencies in Slovakia	Regression analysis	While Complete Resources Turnover and Firm Size have a huge positive effect, the Obligation to Value Proportion has an adverse consequence.
2023	Muliani	The influence of profit management and financial performance on company value in building	To examine the effect of earnings management, profitability, capital structure, and liquidity on the firm value in building	multiple linear regression using E-views 12	The majority of the findings demonstrated that profitability and capital structure had a positive and significant impact, while earnings management and liquidity had no discernible effect on business value.

		materials construction sub-sector companies	materials		
2022	Yeasin	Impact of Credit management on financial performance	To analyze the impact of credit risk management on financial performance	Applied a deductive research design and regression analysis of panel data.	Non-performing credits (NPL) and the capital sufficiency proportion (Vehicle) adversely affected business banks' monetary exhibition. The Loan to Deposit Ratio (LCRR), on the other hand, had a statistically significant positive impact on the financial performance of commercial banks.
2022	Agaba and Eton	Credit risk management practices and loan performance of commercial banks in Uganda	To examine the relationship between Credit Risk Management Practices and Loan Performance	Correlation and regression tests to analyze the relationships	The review tracked down a huge relationship between's the presentation of advances and the distinguishing proof, assessment, observing, and control of credit risk.
2020	Kori, Muathe, and Maina,	Financial and Non-Financial Measures in Evaluating Performance: The Role	To provides comprehensive discussion on role of strategic intelligence in	Descriptive statistics and linear multiple regression analysis	A fair scorecard ought to be utilized by Kenyan business banks to guarantee that their methodology execution and preparing objectives are in accordance with

		of Strategic Intelligence in the Context of Commercial Banks in Kenya	commercial banks, in Kenyan context		the interests of their financial backers.
2020	Ndungu and Bosire	Determinants of financial performance of commercial banks listed at nse in Kenya.	To establish the determinants of financial performance of NSE listed commercial banks in Kenya	Descriptive study design	The findings revealed a significant positive correlation (r=0.926) between the financial success of commercial banks and the allocation of funds to various assets, with 85.7% of the banks' financial performance attributed to this factor. Additional research on factors like currency rates, inflation, and changes in interest rates should be conducted.
2020	Nalianya, and Mirog a,	Determinants of financial performance of commercial banks in Kenya: Case of listed banks	To examine the determinants affecting financial performance of listed commercial banks in Kenya with	Descriptive research design, Descriptive analysis, correlation analysis and regression analysis were used to	Managers of listed commercial banks should implement an aggressive credit policy to maximize debt utilization in capital spending in order to boost the company's financial performance. The monetary presentation of Kenya's

		on the Nairobi Securities Exchange (NSE)	specific objectives on the effect of liquidity, capital adequacy, operational expense and leverage on performance of banks in Kenya	perform the data analysis	recorded business banks was altogether affected by every one of the autonomous factors — liquidity, capital ampleness, functional cost, and influence.
2018	Mwangi	The Effect of Size on Financial Performance of Commercial Banks in Kenya	To establish the effect size has on the profitability of commercial banks in Kenya.	Regression analysis is used	That measures to expand commercial banks be taken into consideration, and that managers and shareholders may also choose to implement expansion strategies (internally produced, fund raising, or mergers and acquisitions).
2018	Akanbi and Adewoye	Effects of Accounting Information System Adoption on the Financial Performance of Commercial Bank in	To examine various innovations to which their services are been performance effectively with financial improvement	Cronbach's alpha test	The reception of AIS and its utilization in the arrangement of administrations to clients by Nigerian business banks are very high. With and, the utilization of AIS is correlated positively and significantly with all performance metrics

		Nigeria	.		(ROCE, ROTA, GPM, and NOP).
2018	Yusuf and Surjaatmadja	Analysis of Financial Performance on Profitability with Non Performance Financing as Variable Moderation (Study at Sharia Commercial Bank in Indonesia Period 2012–2016)	To determine the effect of capital adequacy ratio (CAR) and financing to deposit ratio (FCRR) on profitability (proxies with return on assets [ROA]) with non performing financing (NPF) as a moderation variable	Multiple linear regression analysis	BOPO has a significant negative impact on profitability, whereas CAR and FCRR have a significant positive impact. The NPF essentially affects the connection among Vehicle and productivity or FCRR and benefit, however it adversely affects the connection among BOPO and benefit.
2018	Robin, Salim and Bloch	Financial performance of commercial banks in the post-reform era: Further evidence	To Examine the financial performance of the commercial banks in Bangladesh in terms of	regression analysis	The financial reform has had little effect on the return on asset (ROA) and return on equity (ROE) of banks. In any case, the net interest edge (NIM) has expanded, showing that capital

	from Bangladesh	profitability measures before, during and after a period of financial liberalization	strength and resource quality are the fundamental factors that influence benefit. As a result, Bangladesh's banking industry's sustainability depends on a suitable banking strategy that aims to improve asset quality and capital base.

2.4 Research Gap

The current study and other studies on MAPs in Nepalese commercial banks differ from one another. The analysis of Kosumi and Kosumi (2021) demonstrates the beneficial effects of MA procedures on commercial banks. The organizational performance of commercial banks is improved by MAPs. The variables from the Yeasin (2022) are essentially the same. Pradhan and Dahal (2021) have just focused on MAPs and have not demonstrated any correlation with organizational success. Additionally, it omitted to demonstrate how MPAs affect consumer performance and their causes. Traditional MPAs have been the main focus of Saha and Bishwas (2021). This study didn't focus on its implementations; they were just MAPs. Therefore, ongoing research is being performed to fill those gaps.

Primary sources provided the data for this study. Planning, controlling, and decision-making are managerial tasks that are likely the subject of the market survey, which is the current study's new research study. Therefore, from an academic and policy standpoint, the current study will be beneficial to interested parties, scholars, professors, students, bankers, and the government.

CHAPTER- III

RESEARCH METHODOLOGY

Research methodology delineates the approach, protocols, and strategies employed in carrying out research. It is a roadmap for reaching the objective. More correct conclusions and discoveries are produced by appropriate and sufficient methods, which eventually aids in suggesting workable solutions to their search issues.

3.1 Research Design

The research is planned in accordance with the study's goals. Descriptive research design and causal comparative research design have been used to accomplish the study's unique goal. For the examination of data pertaining to Dabur Nepal, Unilever Nepal, and Bottlers Nepal, a descriptive research design is used. While a causal comparative research strategy has been utilized to examine the effects of total assets, total revenue, total cost, and debt equity ratio on return on assets and earnings per share of Dabur Nepal, Unilever Nepal, and Bottlers Nepal, the financial performance level of the firms has been examined.

3.2 Population and Sample and Sampling Design

It is not possible to analyze every one of the 19 manufacturing businesses that are now listed on the Nepal Stock Exchange and whose shares are actively traded in the stock market as resources are important and the research will only be conducted for a limited amount of time. The entire number of manufacturing businesses in operation in Nepal as of the fiscal year 2078–2079 makes up the study's population. When choosing sample organizations for this study, the convenience sampling method. Dabur Nepal, Unilever Nepal, and Bottlers Nepal are the three manufacturing organizations that have been chosen as a sample for a comparative financial analysis. For study purposes, only three companies—Dabur Nepal, Unilever Nepal, and Bottlers Nepal—have been chosen on the basis of availability of data.

3.3 Sources of Data

The primary sources of secondary data used in this study were Dabur Nepal, Unilever Nepal, and Bottlers Nepal. Information about the investment and profit was taken straight from the profit and loss account and balance sheet. The primary data sources evaluated

for the study are the manufacturing businesses that are of concern, such as Dabur Nepal, Unilever, and Bottlers. Information and additional statistics from 2012–13 to 2021–22 are gathered from several organizations and regulatory bodies, including the Department Library, Central Library, and Ministry of Finance. Numerous sources of data and information are gathered, including the company's annual report and journals, periodicals, magazines, and publications.

3.4 Data Collection Procedures

It is not possible to use various data in their original form for analysis when they are collected from diverse sources. Thus, they have undergone a thorough review, evaluation, editing, and tabulation process to ensure they are in the proper format for the study. By obtaining them from approved sources, the researcher enhanced the credibility of the data that was gathered.

Additionally, various graph charts are displayed based on the need for visual interpretation. The information is tallied by topic and presented in a table in a sequential fashion. In a similar vein, the financial ratios are also employed in the evaluation and interpretation of the monetary results of particular manufacturing sample companies.

3.5 Method of Data Analysis

The pattern of data that is now available will guide the data analysis. A variety of financial, accounting, and statistical techniques have been employed to meet the study's purpose. To achieve the study's goals, a few statistical and financial approaches are examined.

3.5.1 Financial Tools

The mathematical relationship between two accounting items or figures can be demonstrated with the use of financial tools. The sole method available for gathering a company's financial performance and standing in relation to other companies is ratio analysis. Ratio analysis is a step in the overall process of analyzing the financial statements of any industry or corporation that is involved, particularly in order to determine credit and output. This study has only addressed ratio, which is connected to

manufacturing companies' investment policies. This research includes the following ratios:

Ratio Analysis

The mathematical relationship between two accounting figures is called a ratio analysis. It is calculated by splitting a relationship object into its component parts. These parameters are available for use by management to raise the organization's performance. Understanding one's strengths and limitations is essential for making the most of advantages and strengthening areas of weakness in order to overcome obstacles. The following financial ratios are computed and examined in this study:

Earnings Per Share (EPS)

Numerous other metrics can be used to assess the profitability of the investment made by common shareholders. Earnings per Share provides information about the income per common share. The earnings power per share (EPS) computations over time show whether or not the banks' earnings power has evolved. The net profit after taxes is divided by the total number of outstanding common shares to get the earnings per share (EPS).

Profitability Ratios

The difference between revenues and expenses over a given time period is called profit. A business needs profit in order to endure and expand over time; without enough profit, it will not be able to continue operating. As a result, the financial management needs to constantly assess how profitable the company is operating. The profitability ratios are computed to assess a business's operational effectiveness. It serves as a gauge for any institution's financial performance. This suggests that a higher profitability ratio corresponds to a better bank financial performance and vice versa. This heading takes into consideration the following ratios.

Return on Assets

This ratio is connected to total assets and net profit after tax (NPAT). By dividing NPAT by Total Assets, one can determine the ratio that represents how effectively a company's assets can produce greater profit. Although the lower ratio demonstrates the opposite, the higher ratio demonstrates the bank's ability to manage its overall

operations. This ratio gives a business the starting point it needs to produce a strong return on equity.

Debt Equity Ratio

A corporation's financial leverage is assessed using the debt-to-equity (D/E) ratio, which is computed by dividing the total liabilities of the company by the equity held by its shareholders. In corporate finance, the D/E ratio is a crucial indicator. It is a gauge of how much a business relies on debt rather than its own resources to fund its operations. One kind of gearing ratio is the debt-to-equity ratio.

3.5.2 Statistical Tools

The goal of this study is accomplished through the application of several significant statistical methods. These are the fundamental instruments for analysis:

Arithmetic Mean

The simple mean, or arithmetic mean, of a set of data is calculated by dividing the total number of observations by the sum of all the observations. The arithmetic average of a variable is the best value that represents the group as a whole. A series' arithmetic mean can be found using:

$$\text{Mean } (\bar{X}) = \frac{\Sigma X}{n}$$

Where,

ΣX = Sum of the variables 'X'

n = No. of Observation

Standard Deviation

Since the standard deviation met the majority of the requirements for a good measure of dispersion, it is the absolute measure of dispersion in which the flaw found in other measures of dispersion is present. The positive square root of the mean, or the square of the variation taken from the arithmetic mean, is the definition of the standard deviation. It displays the ranges and magnitudes of deviations from the mean or center. It gauges the dispersion in absolute terms. Greater standard deviation The variability will be higher and vice versa. Dispersion quantifies how much the data deviate from the central value. Put

differently, it is beneficial to examine the data's quality in terms of its variability. It is computed as follows:

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Coefficient of Variation

The standard deviation represents the dispersion in absolute terms. The measurement of the coefficient of standard deviation is the relative measure of dispersing depending on the standard deviation. Coefficient of variation (CV) is the percentage measure of the coefficient of so. More homogeneity and consistency with fewer CVs, and vice versa. Not only is the standard deviation inappropriate for comparing two sets of variables, but the CV can also compare two sets of variables separately according on how variable they are. It is computed as follows:

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

Correlation Coefficient

The relationship between the independent and dependent variables is known as the correlation coefficient. It is a technique for ascertaining how these two variables are related to one another. A correlation coefficient is present when there is a strong relationship between the two variables, meaning that changes in the independent variable's value also affect the dependent variable's value.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma XY - \Sigma X \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2}\sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

Regression Analysis

The process of quantitatively determining which of those factors actually has an effect is called regression analysis. It is a collection of statistical techniques used to estimate correlations between one or more independent variables and a dependent variable. It can be used to simulate the future relationship between variables and evaluate how strongly the variables are related to one another.

It can be express in following Equation:

$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots\ldots + e$

Where,

Y = Dependent Variables

a = Intercept or Average

$\beta_1, \beta_2, \beta_3, \ldots.$ = Slope of

$X_1, X_2, X_3 \ldots$ = Independent Variables

e = Error

Baseline Model

Dependent variables are EPS and ROA, the two main profitability ratios. These are the independent variables.

Model 1

This model examines the impact of elements on EPS of manufacturing companies.

$ROA = \beta_0 + \beta_1 LNTA_{it} + \beta_2 LNTR_{it} + \beta_3 LNTC_{it_t} \ldots\ldots + e_{it}$

Model 2

This model examines the impact of elements on ROA of manufacturing companies.

$EPS = \beta_0 + \beta_1 LNTA_{it} + \beta_2 LNTR_{it} + \beta_3 LNTC_{it} \ldots\ldots + e_{it}$

Where,

Dependent Variables

ROA = Return on Assets

EPS = Earnings per Share

Independent Variables

Total Assets

Total Revenue

Total Cost

e_{it} = others /Errors

3.6 Research Framework

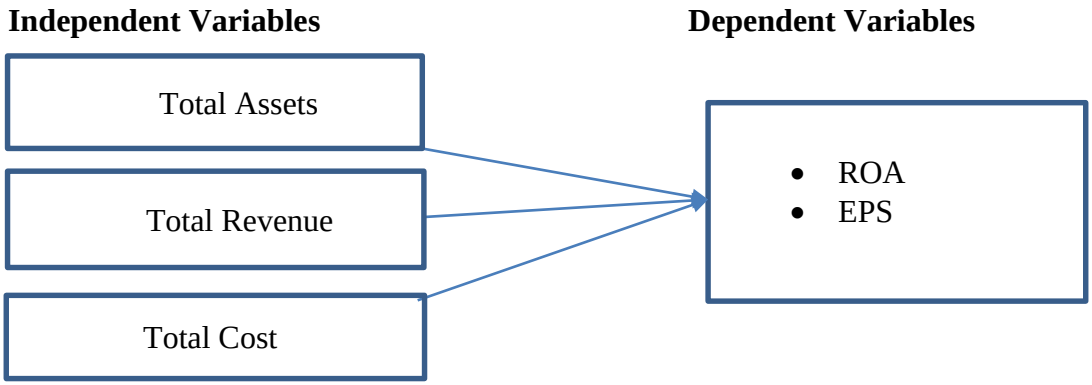

Figure 1

Research Framework

Source: Memon and Tahir (2021)

Description of Variables

The dependent variables in this study, EPS and ROA, are used to assess the financial performance of Nepali manufacturing enterprises (Rauf, 2016; Getahun, 2015). They are listed in the following order:

Dependent Variables

Return on Assets

Since it shows the returns from the company's owned assets, this ratio is perhaps the most significant one for comparing the effectiveness and operational performance of manufacturing companies (Getahun, 2015). The formula for return on assets is as follows:

Earnings Per Share (EPS)

The ratio known as earnings per share, or EPS, assesses a company's profitability by comparing its profits to the total number of outstanding shares. Giving investors a sense of a company's earning potential in terms of return on investment is the goal of EPS calculation. EPS is a means to estimate a firm's overall profitability since it clearly displays the amount of money the company is making per share that is outstanding. It is a crucial factor in figuring out the P/E ratio, or price-to-earnings.

Total Assets

The size of the corporation is determined by total assets. Resources that a firm has are called assets. Cash balances, bank balances, investments, stocks, and other investments, bills paid, fixed assets, and other assets are all considered assets. Therefore, a company's

total assets are the total of all of its current and long-term assets. An asset is considered current if it can be liquidated in less than a year, and long-term if it takes longer than a year to dispose. For the value of all assets, log has been taken as LNTA.

Total Revenue

Although revenue is a single figure, there are numerous ways to interpret it. Let's examine the connection between marginal revenue and overall revenue. The total revenue generated by a business from the sale of its products and services is its total income. Stated differently, this indicator is employed by companies to assess the profitability of their primary revenue-generating activities. Total revenue and marginal revenue are directly correlated. It calculates how much more or less money is made as a result of selling more goods or services. The overall revenue will rise as long as the marginal revenue is higher than the cost of generating a new unit. On the other hand, it makes sense to halt manufacturing if the costs above the marginal revenue. The value of total revenue has been recorded as LNTR in the log.

Total Cost

In economics, total cost refers to the total of all expenses incurred by a company in generating a specific level of output. It is commonly defined as the total of all variable expenses (such as labor and raw material costs) and all fixed costs (such as building leasing and heavy machinery costs), which vary according to the volume of product generated. Due to declining returns on additional production units, the pace at which variable costs increase with increased output will eventually increase more quickly if fixed costs are not changed (for example, by acquiring a larger building or more heavy gear). Put another way, long-term progress. Logging has been done for the overall cost as expressed in LNTC.

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter presents and analyzes data gathered from multiple sources in order to gauge the different aspects of the study's concerns. This chapter also presents the study's main conclusions.

4.1 Descriptive Statistics

Descriptive statistics describe the distribution, variability, and volatility of a variable and include the mean, standard deviation, minimum and maximum of the dependent and independent variables. The following table displays the descriptive statistic.

Table 2

Descriptive Analysis

Variables	Mean	Standard Deviation	Minimum	Maximum
Total assets	6840.704	3111.089	2757	12406
Total revenue	5870.333	1653.670	3946	9562
Total cost	2757.259	1465.648	710	7104
ROA	0.148	0.153	0.04	0.27
EPS	563.370	383.982	106	1312

Table 2 represent the descriptive statistic which includes the mean, standard deviation Minimum and maximum value of the period of 2012/13 to 2021/21. The total cost has the mean of Rs.6840.704 million, Rs.2757million and Rs.12406 million is the minimum and maximum respectively. Its standard deviation is Rs.3111.089 million which indicates high volatility. Similarly, the total revenue has the mean Rs.5870.333 million, Rs.3946 million and Rs.9562 million is the minimum and maximum respectively. Rs.1653.33 million is the standard deviation of the total revenue. The average total cost Rs.2727.259 million; Rs.710 million and Rs.7104 million becoming the minimum and maximum total cost for the measured period of time.

Return on assets (ROA) is 14.8% on average, with a minimum of 4% and a maximum of 27%. The standard deviation exceeds the mean value by 15.3%. Over the time, the average earnings per share (EPS) was Rs. 563.370, with minimum and maximum EPS of

Rs. 106 and Rs. 1312. The standard deviation is 383.982 rupees. Overall, it can be said that from 2012–2013 to 2020–21, the majority of the variables showed more unpredictability in their values and ratios.

4.2 Coefficient of Correlation

The statistical method used to quantify the relationship between two or more population or sample variables is correlation. Stated differently, it indicates the extent to which two variables have a linear relationship. The degree of relationship between two sets of figures is measured by the coefficient of correlation. Karl Pearson's approach is used in the study among the several techniques for determining the coefficient of correlation. Coefficient of correlation results are always in the range of +1 and -1. There is a perfect link between the variables when r = +1 and vice versa. There is no link between the variables when r = 0.

4.2.1 Relationship between TC, TR, TA and ROA and EPS

The correlation coefficient between total assets, total revenue, total cost, ROA, and EPS is displayed in the following table. Significant is defined as the tabulated value of the t-statistic at the 5 percent significance threshold at 3 degrees of freedom, respectively. The outcomes listed below are noteworthy.

Table 3

Relationship between TA, TR, TC, ROA and EPS

Variables	Cost	Revenue	Assets	ROA	EPS
Total Cost	1				
Total Revenue	.306	1			
	.100				
Total Assets	-.038	.120	1		
	.844	.527			
Return on Assets	.596*	.189**	-.070	1	
	.013	.001	.712		
Earnings Per Share	-.246	.270*	-.122	.543**	1
	.190	.049	.521	.002	

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

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

Table 3 shows the correlation between total assets, total revenue, total cost, return on assets and earning per share. The relationship between total assets, total revenue, total

cost with Earning per share is -0.122, 0.270 and -0.246 respectively. Total assets (LNTA) and total cost (LNTC) have been negatively correlated with earning per share (EPS) but statistically not significant. However correlation between total revenue and earnings per share have been positively correlated and statistically significant at 0.05 level of significance. Similarly correlation between total assets, total revenue and total cost with return on assets (ROA) is -0.070, 0.189 and 0.596 respectively.

While total cost (LNTC) and revenue have positive correlation and are statistically significant with ROA, total assets (LNTA) have negative correlation with return on assets (ROA) but are not statistically significant. There is high degree of positive correlation between total cost and return on assets while moderate degree of positive and significant relationship with earnings per share.

4.3 Regression Analysis

A collection of statistical techniques called regression analysis is used to estimate the associations between a dependent variable and one or more independent variables. It can be used to simulate the future relationship between variables and evaluate how strongly the variables are related to one another. The dependent variables in this study are ROA and EPS, while the independent variables are total assets, total revenue, total cost, and debt-to-equity ratio.

4.3.1 Impact of TC, TR and TA on Return on Assets

Table 4

Model Summary of ROA

Regression Statistics	
Multiple R	0.7021
R Square	0.4931
Adjusted R Square	0.4009
Standard Error	0.1181
Observations	27

Table 4 indicates that the multiple correlation coefficient, which measures the strength and direction of the linear relationship between the independent variables (predictors) and the dependent variable (response). In this case, the multiple R is 0.7021, indicating a moderately strong positive correlation R square represents the proportion of the variance

in the dependent variable, which can explain by the independent variables. An R square value of 0.4931 suggests that approximately 49.31% variation in dependent variable is explained by independent variables.

Table 5

ANOVA Table

	Df	SS	MS	F	Significance F
Regression	4	0.2987	0.0746	5.3497	0.0036
Residual	22	0.3070	0.0139		
Total	26	0.6058			

ANOVA (Analysis of Variance) table you provided summarizes the sources of variation in the regression model. The F-statistic is the ratio of the mean square of the Regression component to the mean square of the Residual component. It tests the overall significance of the regression model. In this case, the F-value is 5.349713, indicating that there is a significant relationship between the independent variables and the dependent variable. The significance F-value represents the p-value associated with the F-statistic. It indicates the probability of obtaining the observed F-value (or a more extreme value) if there is no significant relationship between the variables. In this case, the p-value is 0.003649, which is below the commonly used significance level of 0.05.

4.3.2 Impact of TC, TR and TA on Return on Assets

Table 6

Regression Coefficients

Variables	Coefficients	Standard Error	t Stat	P-value
Intercept	2.1260	0.8095	2.6262	0.0154
LNTA	-0.1740	0.0628	-2.7672	0.0112
LNTR	-0.0980	0.1182	-0.8292	0.4158
LNTC	0.0510	0.0393	1.2992	0.2073

The table 6 shows the coefficients, standard errors, t-statistics, and p-values for each predictor variable in the regression model. These values represent the estimated regression coefficients for each predictor variable. They indicate the average change in the dependent variable associated with a one-unit increase in the corresponding predictor, assuming all other predictors are held constant. For example, the coefficient for the

Intercept is 2.126069, indicating that when all predictor variables are zero, the predicted value of the dependent variable is 2.126069. It appears that the LNTA variable is statistically significant with a p-value of 0.011241, suggesting it has a significant impact on the dependent variable. However, the LNTR, LNTC, variables do not appear to be statistically significant, as their p-values (0.4158, 0.2073, respectively) are above the common significance level of 0.05.

4.3.3 Impact of TC, TR and TA on Earnings per Share

Table 7

Model Summary of EPS

Regression Statistics	
Multiple R	0.8652
R Square	0.7486
Adjusted R Square	0.7029
Standard Error	0.3776
Observations	27

Table 7 shows the multiple correlation coefficient (R) measures the strength and direction of the linear relationship between the independent variables (predictors) and the dependent variable (response). In this case, the multiple R is 0.8652, indicating a strong positive correlation. An R square value of 0.7486 suggests that approximately 74.86 % variation in dependent variable is explained by the independent variables in the regression model. Overall, these regression statistics provide insights into the performance and goodness-of-fit of the regression model. A higher R square value and lower standard error indicate a better-fitting model with more accurate predictions .

Table 8

ANOVA Table

	Df	SS	MS	F	Significance F
Regression	4	9.3467	2.3366	16.3808	0.0000
Residual	22	3.1382	0.1426		
Total	26	12.4849			

Table 8 shows the ANOVA table to show the impact of independents variables on dependent variables. The F-value is 102.033 which is high and the p-value is 0.000 lesser

than 5% level of significance which shows that the independent variables DPR, DPS, PER and EPS has significant impact on dependent variables i.e. MVPS.

4.3.4 Impact of TC, TR and TA on Earnings per Share

Table 9

Regression Coefficients

	Coefficients	Standard Error	t Stat	P-value
Intercept	18.34231	2.587888	7.087752	0.000004
LNTA	-0.94312	0.201017	-4.69172	0.000111
LNTR	-0.62058	0.378114	-1.64125	0.114966
LNTC	0.163609	0.125634	1.302266	0.206295

The table 9 shows the coefficients, standard errors, t-statistics, and p-values for each predictor variable in the regression model. Here's an explanation of each column: Coefficients: These values represent the estimated regression coefficients for each predictor variable. They indicate the average change in the dependent variable associated with a one-unit increase in the corresponding predictor, assuming all other predictors are held constant. For example, the coefficient for the Intercept is 18.3423, indicating that when all predictor variables are zero, the predicted value of the dependent variable is 18.3423.

The likelihood of receiving a t-statistic as extreme as the one observed, assuming the null hypothesis (i.e., the real coefficient is zero), is represented by the p-value. It is employed to evaluate the estimated coefficient's statistical significance. The coefficient is statistically significant if the p-value is smaller than the selected significance level, which is typically 0.05. Given that their p-value (0.000004) is less than the usual significance limit of 0.05, it seems that the Intercept, LNTA, is statistically significant. This implies that the dependent variable is significantly impacted by these variables. The p-values of the LNTR and LNTC variables, which are above the significance level at 0.206295 and 0.114966, respectively, suggest that they are not statistically significant.

4.4 Discussion

This study's primary objective is to investigate and evaluate Dabur Nepal's, Unilever Nepal's, and Bottlers Nepal's financial performance. The minimum, maximum, average,

and standard deviation values of each variable in each sample of manufacturing enterprises are shown in the above table. The range (minimum and maximum), central tendency (mean), and variability (standard deviation) of the variables are all explained by descriptive statistics. Understanding the distribution and properties of the data is made easier with the use of these statistics.

The average value of the variable over all observed data points is represented by the mean. For instance, the total assets have an average value of roughly 6840.704, as indicated by the mean of 6840.704 for all assets. The spread or dispersion of the variable values around the mean is measured by the standard deviation. Greater data variability is indicated by a higher standard deviation. For example, the total assets' standard deviation is 3111.089, indicating that the values of total assets often differ from the mean by about 3111.089 units. The variable's least observed value is represented by the minimal value. The minimal numbers in this instance are 2757, 3946, 710, 0.04, and 106 for Total assets, Total revenue, Total cost, ROA, and EPS, respectively. The largest observed value of the variable is represented by the maximum value. For instance, 12406, 9562, 7104, 0.27, and 1312 are the maximum numbers for total assets, total revenue, total cost, ROA, and EPS, respectively.

Total assets, total income, and total cost of return on assets have correlations of -0.66167, -0.54433, 0.081400, and 0.034, respectively. While total assets and total revenue have a negative correlation with return on assets that is statistically not significant, total cost has a positive correlation with return on assets (ROA) that is statistically significant. Similarly, there is a -0.83291-0.70075 and 0.0043 correlation, respectively, between total assets, total revenue, and total cost and income per share. While total assets and total revenue have a negative correlation with earning per share (EPS) and are statistically not significant in the population at the 1 percent level, total cost and the debt equity ratio have a positive correlation with EPS and are statistically significant.

While the link between ROA and total cost is positive, the relationship between ROA and total assets and total revenue is not linear. Total cost has a favorable effect on ROA, which is statistically significant at the 5% significance level. However, even at the 10 percent significance level, ROA is statistically negligible and negatively impacted by total assets and total revenue. The dependent variable tends to increase and decrease in

response to the negative coefficients of total assets and total revenue. However, a positive coefficient of total revenue tends to make the dependent variables go up or down. It indicates that EPS tends to vary. Given that the LNTA variables' p-values (0.0154 and 0.0112, respectively) are less than the conventional significance limit of 0.05, it appears that the variables are statistically significant. This implies that the dependent variable is significantly impacted by these variables. The p-values of the LNTR and LNTC variables, which are above the significance level at 0.2073 and 0.4158, respectively, suggest that they are not statistically significant.

Higher than Dabur and Bottlers, Unilever has maintained its percentage. Given that Unilever has demonstrated its competence to manage all assets, it is therefore in a superior position over the study period. According to Pradhan and Dahal's (2021) analysis, manufacturing companies with higher earnings tend to be stronger, while those with lower earnings are thought to be weaker. It notes that Unilever's earnings price per share was greater than Bottlers' and Dabur's, and that Dabur's earnings per share (EPS) varied over the study period. This suggests that investors might anticipate greater profits from Unilever, which aligns with Ackah's (2020) findings.

It demonstrates that Dabur is in a better position than Bottlers and Unilever in terms of total cost. While Dabur and Unilever are unable to sustain total revenue during the study period, bottlers are able to maintain a greater total revenue in all fiscal years. In terms of overall revenue, Unilever is on the rise, while Dabur and Bottlers are on a shifting trajectory. This indicates that it has more proficient and successful management than Dabur and Bottlers when it comes to regulating and controlling operating expenses, which is in line with Acharya's (2018) study.

Return on the total amount of assets All of the chosen manufacturing businesses' ratios vary, although Dabur is in a stronger situation than Bottlers and Unilever. The positive association between total assets and total revenue, total cost, ROA, and EPS is demonstrated by the coefficient of correlation between total assets, investment, revenue, net profit, and EPS of Dabur, Unilever, and Bottlers. A positive correlation coefficient indicates that all variables are changing in the same direction. Conversely, a negative correlation indicates that changes in one variable are occurring in the opposite direction, i.e., an increase in total assets and total cost is accompanied by an increase in investment.

At the significant threshold of 0.01 there is a significant correlation between return on assets and EPS. The analysis's R-squared value shows that, taken together, total assets, total revenue, and total cost account for around 49.31%, 74.83%, and 74.83% of the variation in return on assets and earnings per share, respectively. Nevertheless, further background information regarding the particular variables and research issue under investigation would be necessary for the interpretation of each coefficient, their relevance, and the overall significance of the model.

Gauttam (2021) came to the conclusion that there is little correlation between net profit and total assets, total revenue, and total costs. Thus, in terms of total assets, revenue, manufacturing investment, and net profit, this result is comparable to that of Yeasin (2022); nevertheless, in terms of Panthi, Dahal, and Thapa (2021), it differs from the study. The computed regression coefficients for each predictor variable are shown by these values. Assuming all other predictors remain unchanged, they show the average change in the dependent variable corresponding to a one-unit increase in the relevant predictor. For instance, the coefficient for the intercept is 2.1260, meaning that the expected value of the dependent variable is 2.1260 when all predictor variables are zero.

Given that the LNTA variables' p-values (0.000004, or 0.000111) are less than the usual significance criterion of 0.05, it appears that the variables are statistically significant. This implies that the dependent variable is significantly impacted by these variables. The p-values of the LNTR and LNTC variables, which are 0.114966, 0.206295, and 0.739149, respectively, are above the significance level, indicating that they do not seem to be statistically significant. Thus, total assets and total revenue do not have a linear connection with ROA, which is consistent with Mubeen's (2019) findings.

CHAPTER- V

SUMMARY AND CONCLUSION

5.1 Summary

Examining the financial performance of Nepalese manufacturing firms is the primary goal of this research. The main goals are to assess the manufacturing sector's profitability and operational soundness and to determine how manufacturing investment, total assets, and total sales affect earnings per share (EPS) and net profit. Research using both descriptive and causal comparison methods has been conducted in order to meet the specific goal of the study. In order to examine the trends and current state of financial performance, descriptive design is employed. The effect of total assets, total revenue, and total cost on EPS and return on assets of manufacturing enterprises in Unilever is measured using a causal study design, regression analysis, correlation, and other financial factors. Since manufacturing success is primarily determined by stability and profitability, three life manufacturing businesses' financial performance analyses are the subject of this research project. The majority of the data was gathered from secondary sources, such as documents posted online by relevant businesses, with primary sources, as needed, being the individuals involved in the relevant bank. Before examining the facts, a variety of books, journals, blogs, etc. had been perused and utilized. Financial ratios like liquidity, activity turnover, leverage, and profitability ratios as well as statistical measures like mean, standard deviation, and coefficient of variation were used to assess this study.

Analyzing a company's financial operations with the goal of maximizing value is known as financial performance analysis. Effective and efficient decision-making is essential for better financial activities, and outstanding financial performance from these improved financial activities leads to the organization's success. The core of financial decision-making is financial performance analysis. An enterprise's financial performance has a direct impact on its growth and development, and when accurate facts and figures are sorted out, an enterprise's financial performance is accurate. The goal of business organizations is to make money. One of the key indicators of a company's strong financial performance is the amount of profit earned.

According to Panthi, Dahal, and Thapa's study's conclusion from 2021, Dabur had a strong liquidity position, but the bank did not benefit from the very high ratio because it

did not generate enough profit to cover the high interest. According to the investigation, these three manufacturing enterprises are too volatile to follow NRB guidelines for the cash reserve ratio. The results of this study are comparable to those of Kori, Muathe, and Maina (2020). Dabur has continued to maintain a higher percentage than Bottlers and Unilever.

5.2 Conclusion

The following conclusion has been reached based on the examination and interpretation of the data.

The variables tend to move in different directions when there is a negative correlation, whereas positive correlations show that the variables tend to move in the same direction. Stronger relationships are indicated by correlation strengths that range from weak to high, with values nearer 1 or -1. The computed regression coefficients for each predictor variable are shown by these values. Assuming all other predictors remain same, they show the average change in the ROA and EPS variables corresponding to a one-unit increase in the relevant predictor.

There is a statistically significant positive correlation between total cost and return on assets and earnings per share. It indicates that the direction of return on assets and earnings per share has changed due to changes in the debt equity ratio and total cost. Theoretically, this outcome is reasonable; yet, there is a statistically insignificant negative correlation between total assets and total revenue and earnings per share and return on assets. It indicates that the direction of earnings per share and return on assets has not changed along with total assets and total revenue.

Pradhan and Dahal (2021) concluded Higher earning shows higher strength while lower earning shows weaker strength of manufacturing companies. The table indicates that Dabur's EPS varied over the course of the investigation. Dabur offers investors a better rate of return because its earnings price per share is higher than that of bottlers and Unilever. This suggests, in line with the findings of Kori, Muathe, and Maina's study (2020), that Unilever poses a greater risk in EPS than Dabur and Bottlers. The average of Dabur, Bottlers, and Unilever demonstrates the steady growth of a business that is optimistic about the future. A dividend rise, nonetheless, may also indicate that the

business is running out of room to grow. When compared to the other sample, Bottlers' coefficient of variation is more uniform and constant. This study agrees with Ichsan's (2020) findings.

5.3 Implications

- Manufacturing companies should give people financial security, promote long-term savings, and contribute funds for educational initiatives.
- Manufacturing companies should use investment methods to raise capital that align with their goals and business objectives.
- Notwithstanding the effects of both internal and external factors, a manufacturing company must maintain a sufficient liquidity position to meet the credit needs of its customers.
- Dubar advised investing its funds more in the future for the purchase of shares and debentures of other finance companies in addition to prioritizing government assets. However, Unilever would be better suited investing in debentures and shares of the private sector, as they give a greater interest rate than other options.
- A corporation must take on risk if it hopes to receive a high return on its investment. In contrast to Unilever, Dabur assumes a higher credit risk as well as a smaller capital and liquidity risk. However, Dabur's return ratios are superior to Unilever's and Bottlers', indicating that Unilever shouldn't take on excessive risk. Therefore, Unilever ought to thoroughly evaluate the risks in order to maximize return.
- Investment must be made in order to succeed in a financial environment that is competitive. Investments make up the majority of the company's asset side. If it is ignored, the company's liquidity crisis may have its primary root there.

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APPENDIX

Variables Information's regarding Dabur Nepal Pvt. Ltd.

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total Assets	7466	7265	8462	8574	9745	9856	10026	10963	12406	14471
ROA	0.04	0.03	0.02	0.01	0.02	0.03	0.04	0.04	0.04	0.03
EPS	344	225	106	210	338	301	282	250	161	152
Revenue	6169	7094	7827	7869	7701	7748	8533	8704	9562	10144
Total Cost	789	897	960	3326	3680	2014	2652	2859	4120	5628

(Source: Annual Report form Fiscal Year 2012/13 to 2021/22)

Variables Information's regarding Unilever Nepal Pvt. Ltd.

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total Assets	2757	2808	2794	3028	3322	3203	3857	3724	4753	5517
ROA	0.32	0.32	0.37	0.37	0.29	0.31	0.28	0.10	0.18	0.13
EPS	1312	1028	1126	1218	1048	1085	1157	389	935	701.3
Revenue	4268	4362	4728	3946	4442	4868	5754	5547	5731	6627
Total Cost	1419	1754	1982	2265	2392	2559	3175	3001	3147	3945

(Source: Annual Report form Fiscal Year 2012/13 to 2021/22)

Variables Information's regarding Bottlers Nepal Pvt. Ltd.

Fiscal Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total Assets	5140	6106	6448	6685	6835	6960	10516	11152	10877	12174
ROA	0.03	0.03	0.03	0.02	0.10	0.15	0.07	-0.01	0.04	0.04
EPS	316	362	408	658	361	534	379	-32	246	281
Revenue	1176	15505	2048	2648	7697	9083	9507	6865	8409	9148
Total Cost	866	5679	7104	710	3235	3299	3430	3566	3566	3772

(Source: Annual Report form Fiscal Year 2012/13 to 2021/22)

Correlations Between Total Assets, Total Revenue, Total cost, D/E ratio ROA and EPS

Variables		Cost	Revenue	Assets	Return on Assets	EPS
Total Cost	Pearson Correlation	1	.306	-.038	-.101	-.246
	Sig. (2-tailed)		.100	.844	.596	.190
	N	30	30	30	30	30
Total Revenue	Pearson Correlation	.306	1	.120	-.189	-.270
	Sig. (2-tailed)	.100		.527	.316	.149
	N	30	30	30	30	30
Total Assets	Pearson Correlation	-.038	.120	1	-.070	-.122
	Sig. (2-tailed)	.844	.527		.712	.521
	N	30	30	30	30	30
Return on Assets	Pearson Correlation	-.101	-.189	-.070	1	.543**
	Sig. (2-tailed)	.596	.316	.712		.002
	N	30	30	30	30	30
EPS	Pearson Correlation	-.246	-.270	-.122	.543**	1
	Sig. (2-tailed)	.190	.149	.521	.002	
	N	30	30	30	30	30

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

Impact of Total Assets, Total Revenue and Total Cost and Debt equity ratio on Return on Assets

Dependent Variable: ROA
Method: Least Squares
Date: 06/20/22 Time: 16:17
Sample: 1 27
Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CURRENT_RATIO	-0.002485	0.004951	-0.501851	0.6205
FIRM_SIZE	-4.14E-09	5.51E-08	-0.075248	0.9407
PREMIUM	-2.63E-07	2.49E-07	-1.056297	0.3018
C	0.012878	0.003733	3.449431	0.0022

R-squared	0.091482	Mean dependent var	0.008390
Adjusted R-squared	-0.027020	S.D. dependent var	0.007770
S.E. of regression	0.007875	Akaike info criterion	-6.714374
Sum squared resid	0.001426	Schwarz criterion	-6.522398
Log likelihood	94.64405	Hannan-Quinn criter.	-6.657290
F-statistic	0.771988	Durbin-Watson stat	1.741694
Prob(F-statistic)	0.521511		

Impact of Total assets, Total Revenue and Total Cost and Debt equity ratio on Earnings per Share

Dependent Variable: EPS
Method: Least Squares
Date: 06/21/22 Time: 12:48
Sample: 1 27
Included observations: 27

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CURRENT_RATIO	-31.93623	14.73792	-2.166943	0.0408
FIRM_SIZE	-0.000178	0.000164	-1.084000	0.2896
PREMIUM	-0.000939	0.000740	-1.268487	0.2173
C	71.17754	11.11326	6.404737	0.0000

R-squared	0.319754	Mean dependent var	38.37815
Adjusted R-squared	0.231027	S.D. dependent var	26.73025
S.E. of regression	23.44005	Akaike info criterion	9.282723
Sum squared resid	12637.03	Schwarz criterion	9.474699
Log likelihood	-121.3168	Hannan-Quinn criter.	9.339808
F-statistic	3.603771	Durbin-Watson stat	2.037371
Prob(F-statistic)	0.028699		

Performance Evaluation of Manufacturing Companies

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ABSTRACT This study aimed to analyze the performance evaluation of manufacturing companies of Nepal. To achieve the specific objective of the study, descriptive and causal comparative research has been carried out. The study is conducted using panel data of three manufacturing companies of Nepal for the period 2012/13 to 2021/22. The dependent variable is profitability Return on Assets (ROA) and Earnings per Share (EPS) while the independent variables are total assets, total revenue, total cost and debt ratio. For the purpose of this study, the secondary data have been used. Regression analysis is used as a major tool of analysis. ROA is negatively impacted by total assets, total revenue and debt ratio, where total revenue and debt ratio is not significant even at 10% level of significance, but total assets which is negatively significant even at 5% level of significance. The value of R-square is 49.31%, the P-value of regression is 0.0036 which is statistically significant at 0.05 level of significance. So, there is linear relationship of ROA with total assets, total revenue, total cost and debt ratio. As per the result of earnings per share, the value of R2 of ROA and EPS is 49.31% and 74.86%, the P-value of regression is 0.0036 and 0.000 which is statistically significant at 1% and 5% level of significance. There is significant impact of total assets on Earning per share but insignificant impact of total revenue, total cost and debt ratio on earning per share of manufacturing companies. The results of the study could help companies and policymakers to take an effective action in order to improve performance and profit of manufacturing companies. Keywords: Profitability, ROA, EPS, Loan and advance, Total