

ASSESSMENT OF FINANCIAL PERFORMANCE ANALYSIS IN COMMERCIAL BANK  
OF ETHIOPIA



SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR (BA) DEGREE IN ACCOUNTING AND  
FINANCE

COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING AND  
FINANCE

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MAY 2023

WOLKITE, ETHIOPIA

## Declaration

I, undersigned declare that this research paper entitled “An assessment of financial performance analysis of Commercial Bank of Ethiopia” is my original work and has not been presented for award of any degree or diploma to any university or institution and all the material required for the study has been duly acknowledged.

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As University advisor, I, hereby certify that I have read and evaluated the senior essay undertaken by Dawit Abate under my guidance, which is entitled “An assessment of financial performance analysis of Commercial Bank of Ethiopia”. I recommend the paper to be submitted to department of Accounting with my approval as it fulfilled the requirements to award BA degree in Accounting

NAME OF ADVISOR: MAHLET DERA

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## Acknowledgment

First, I would like to thank the glorious God for his unreserved support throughout my work. In particular, I would like to express my deepest and warmest gratitude and appreciation to my advisor **MAHLET DERA (MSc)** for his constructive comment, suggestion, and advice that greatly enriched this paper. Then I would like to express my heart full gratitude extent to my parents for their continuous financial and moral support throughout my university studies. Last but not least, I am also highly indebted to my friends whose names are not mentioned for their usual moral support and constructive comments on my study.

## **ABSTRACT**

*In most organizations whether manufacturing, merchandising or service rendering there is the absence of organized information showing the trend performance and position of each bank they are computing. This problem leads creditors, investors and with no information about the financial condition of the bank. The researchers motive to start this study is that since banks have a great benefit for economy and in facilitating the business facility activities it is essential to conduct the research and to solve the research and to solve banks problem. This study is conducted on commercial bank of Ethiopia and the main objective of this study is assessing the financial performance and position of the bank using its financial statement and to come up with alternative solution related to its positioning in the bank and its financial performance especially on its profitability, liquidity and activity ratio. The study uses primary and secondary data that means interview, questionnaires and financial report. It holds mixed and descriptive method of data analysis approach by using survey research design. The data would have analyzed based on the financial ratio analysis. Finally, according to the analysis; to know the liquidity, profitability and activity ratio of the bank, and then give recommendations to improve the strength as well as minimize the weakness of the bank on its financial performance and position.*

## Acronyms

CAT	Current Asset Turnover
CBE	Commercial Bank of Ethiopia
CR	Current ratio
DPS	Dividend per Share
<i>TFAT</i>	<i>Total Fixed Asset Turnover</i>
ITOR	Inventory Turnover Ratio
EPS	Earnings per share
CR	Cash Ratio
CL	Current Liability
CA	Current Asset
QA	Quick Asset
CTR	Current Ratio

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The evaluation of financial performance was the subject of how wills a firm can use assets from its primary mode of business and generate revenue. If proper analysis and interpretation of financial statements can provide valuable insight into the firm's performance. Analysis of financial statements is of interest to lenders (short term as well as long term), investors, security analysts, managers, and others (Chandra 2001-p.727).

The study emphasizes on different aspects that would be considered key factors for evaluating the financial condition and performance of most business organizations, some of these factors are site and ranking of growth records, financial performance, quality of management, location, labor-management relations, liquidity, leverage, profitability and pattern of exiting stock holding. Each of those factors has its own contribution to the general growth of the company, therefore to check the overall growth of the company consistent evaluation of each factor needs to be vital (Knott 1998).

The firm used different analytical tools to evaluate financial performance. The most useful methods are financial analysis. The company itself and outside suppliers of capital, creditors, and investors all undertake financial analysis. The firm purpose is not only internal control. But also, a better understanding of what capital suppliers seek in financial conditions and performance. Financial analysis involves methods of reclassifying and interpreting financial data contained in financial statements using the help of different tools of analysis (Houston 1998).By using financial performance more important as starting point for planning actions that affect future events information contained in the financial statement of a firm is used by management creditors, investors, and others to make a judgment about the operating performance of the firm (Jack 1993, p.18). So, this study will focus on the evaluation of the financial performance of Commercial Bank of Ethiopia to measure its profitability and other related risks and also it shows the bank's strengths and weaknesses and improves the decision-making process and day-to-day activity.

## 1.2 Statement of the problem

In developing countries like Ethiopia, there are many growing business organizations. These business organizations would have to know their financial position, liquidity, market share, and profit percentage in order to have proper growth. Since knowing financial performance is important for the management by leaders to evaluate likelihood of collecting information and help stakeholders to forecast future earnings, dividend and stock price. Management of the bank is relying on accounting information from the financial statement to make various strategic decisions. To evaluate the banks financial condition and performance the financial analyst needs to perform check-up on various aspects of the bank's financial wealth. Currently, commercial bank of Ethiopia is operating and expanding its continuously. However, its financial performance is not organized in order to give information, which shows the trend performance of the bank. This study is aimed to understand the information organized in financial statement; so that, the bank can aware of the strength and weakness of the bank and forecasting the future growth of the bank and thereby enabling the financial analyst to take different decisions regarding the operations of the bank. Thus, this paper would have conducted to assess financial performance of commercial bank of Ethiopia.

If management helps to maximize bank performance it takes advantage of the bank's strength and simultaneously, correct its weaknesses. In this regard the management body of the bank highly on thorough figures of financial statements. However, the absolute amount of priority or assets and liabilities shown in accounts are not usually a particular meaning full criterion for evaluating financial performance. There must be at least two related figures to yield meaningful information with the result present as a ratio index or percentage as appropriate. Appropriate techniques of financial performance evaluations are rare to see in the bank. Therefore, information is required for management, like if the bank is profitable, whether the bank employs effective resource, and if the bank borrows beyond its capacity or limit (Hampel, G, 1999).

In some related research ( Bentn, E.G., and James, W.K (2005),”) the area of focus was only the case of current cash transaction and management, but in this study, the area of focus can be in debt management ratio of Commercial bank of Ethiopia, management of the Commercial bank of Ethiopia in utilization sin of an asset to generate revenue (total asset turnover ratio) and including of current ratio of Buna international bank. At large accounting focus on how financial statement

can make and also the study focuses on how they are used by management to improve a firm's performance (Gutman, L. G 2004).

Financial position both in the firm's position in time and on its operation over in past period together give an accounting picture of a firm operation and its financial position. Therefore, the analyze financial statement helps the manager to assess the current, past as well as future financial strength and weakness of the firm and makes an appropriate decision. However, here the researcher wants to see the application of financial statement analysis to real-world situations (ibid).

### 1.3 Objectives of the Study

#### 1.3.1 General objectives

The general objective of this study was to evaluate the financial performance of the Commercial Bank of Ethiopia.

#### 1.3.2 Specific objectives

- ✓ To know the profitability ratio of commercial bank of Ethiopia throughout the year
- ✓ To know the liquidity ratio of the bank under the period
- ✓ To know the leverage ratio of the bank based on its past performance
- ✓ To know the strength and weakness of the bank's financial performance or position and to know the stands compared with the other banks in the industry.

### 1.4 Research Questions

The major questions that would have answered by the study

1. Does the bank show a change in profitability throughout the year?
2. How does the liquidity ratio of the bank under the study period (2019 – 2021)?
3. Does the bank show leverage ratio based on its past performance?

### 1.5 Significance of the Study

Since the financial statements of the firm contain important information, the data include in the financial statement has a great economic consequence for its users. Because the only financial statement data were incomplete to understand the whole aspects of the business, financial statement, analysis is important to make a good financial decision.

From the significance, the study can have one to make the bank's management improve the use of financial statement analysis to facilitate the work and make it efficient and effective. The second significance was to help future researchers that do financial analysis by providing input. Thirdly, to relate financial analysis theory and concept with the practical world they are by the researcher gets knowledge.

## 1.6 Scope of the Study

This study conducts an evaluation of the financial performance of the Commercial Bank of Ethiopia. The study restricts the analysis of the financial tool and financial performance of the bank by analyzing the three-year (2019-2021) financial statement of the bank. The organization selects evaluation methods of analysis common size analysis accounting ratio analysis included in this study and this study highly depends on the financial report of the Bank. The concerned individuals may restrict the availability of such information by delaying such documents. Also, the researcher faced time and financial limits and recorded material in a precise manner on data.

## 1.7 Organization of the Study

The study would be organized into five chapters. The first chapter which was the introduction part deals with the background of the study, the background of the organization, the objective of the study, the significance of the study, the scope, and limitations, and the organization of the paper (study). The second chapter deals with a related literature review and the third chapter was about the methodology of the study. The fourth chapter deals with data analysis and interpretation and finally, the fifth chapter was about the conclusion and recommendation presented.

## 1.8 Limitations of Research

Every research work has its own limitation. The main limitations of this paper are inadequate time which is not possible to analyze all respects relevant to the study, the analysis is based on annual reports of the company in which the accuracy and reliability of analysis depends on reliability of figures derived from financial statement.

## 1.9 OPERATIONAL DEFINITION AND TERMS

**Performance:** It refers to how adequately a financial firm meets the needs of its stockholders' owners, employers, depositors, other creditors, and borrowing customers.

**Finance:** can be defined as the art and science of managing money

**Financial performance:** refers to the act of performing financial activities; in a broad sense, financial performance refers to the degree to which financial objectives are being or has been accomplished.

**Profitability ratio:** These ratios measure the company's ability to generate profits from its revenue or assets. Examples of profitability ratios include gross profit margin, net profit margin, Return on Assets (ROA), and Return on Equity (ROE).

**Liquidity ratio:** The Company's ability to meet its short-term financial obligations is measured using liquidity ratios. For instance, the current ratio, quick ratio, and cash ratio.

**Solvency ratio:** Solvency ratios are appropriate measures of a company's ability to meet its long-term financial obligations. Examples of solvency ratios are debt-to-equity ratio and interest coverage ratio.

**Asset turnover ratio:** Sales / Total assets. This ratio shows how effective the company is in generating sales from its assets.

**Current ratio:** Current assets / current liabilities. Current Ratio measures short-term liquidity, whether or not a company will have the ability to cover its obligations in the short term.

**Inventory turnover ratio:** Sales / Inventory (either the ending balance or average inventory balance). This ratio illustrates how a company manages its inventory.

**Leverage ratio:** Leverage are ratios that analyze a company's solvency or the level of its debt financing relative to its equity financing. An example of a leverage ratio is Total debt / Total shareholders' equity.

**Quick ratio:** Current assets – Inventory / Current Liabilities. Quick Ratio is one of the financial analysis ratios that provides a more prudent measure of short-term liquidity recognizing that inventory cannot always be readily converted into cash.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1 Definition of key terms

**Performance:** It refers to how adequately a financial firm meets the needs of its stockholders' owners, employers, depositors, other creditors, and borrowing customers. Or the accomplishment of a given task measured against present standards of accuracy, completeness, cost, and speed (Peters. Rose 2008).

Finance can be defined as the art and science of managing money, and it is concerned with the in which instituting, markets, and instruments involved in the transfer of money among and between individuals, businesses, and governments (Gitman, 1991).

Financial performance refers to the act of performing financial activities; in a broad sense, financial performance refers to the degree to which financial objectives are being or has been accomplished. It is the process of measuring tasks of results (ibid). Financial accounting is the process of systematic recording of the business transactions in the various books of accounts maintained by the organization with the ultimate intention of preparing the financial statement therefrom. Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of the balance sheet and the profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing into its elements or components parts for tracing their relation to the things as a whole and to each other. According to John. Meyer, "The financial statement provides a summary of accounts of a business enterprise, the balance sheet reflecting assets, liabilities, and capital as on a certain date and the income statement showing the result of operation during a certain period". The financial statements are prepared with a view to depict the financial position of the concern. They are based on recorded facts and are usually expressed in monetary terms. The financial statement is prepared periodically which is generally for the accounting period. The term financial statement has been widely used to represent two statements prepared by accountants at

the end of a specific period. They are Profit and loss a/c or income statement and balance sheet or statement of financial position. Ratio analysis is an important technique. It is a powerful tool for financial Analysis. It is defined as “The indicated quotient of two mathematical expressions” and as “the relationship between two or more things”. The systematic use of ratios is to interpret the financial statement so that the strength and weaknesses of a firm as well as its historical performance and current financial condition can be determined. A ratio is only a comparison of the numerator with the denominator. The term ratio refers to the numerical or quantitative relationship between two figures. Thus, the ratio is the relationship between two figures obtained by dividing the former by the latter. Ratios are designed to show how one number is related to another. The data given in the financial statements are absolutely fond dumb and unable to communicate 7 anything. Ratios are a relative form of financial data and are very useful techniques to check the efficiency of a firm. Some ratios indicate the trend, progress, or downfall of the firm.

## 2.2 Overview of the financial statement

The economic event and activities that affect the company and that can be translated in the accounting numbers are reflected in the company’s financial statements. Some financial statement provides a picture of the company at a moment in time. Other describe that took place over time. Both provide a basis for evaluating what happened. For example, what rate of growth can be expected next year? These trends provide insight into market acceptance, profit, and liquidity. Consequently, a company’s financial statement can be used for various purposes: as an analytical tool, as a basis for prediction, and as a measure of accountability.

### 2.2.1 Demand for company’s financial statement

Several groups demand the company’s financial statements:

1. **Shareholders and investors:** shareholders and investors including investment advisory use financial information to help in deciding on a portfolio of securities that meet for their preference for risk, return, dividend yield, and liquidity.
2. **Managers and employees:** although managers make operating and financial decisions based on information that is much more operating financial diction based on information that is much more detail and timely than information found in the financial statement Their

demand arises from contracts (such as executive compensation agreements) that are linked to financial statement variables, executive compensation contract frequently contain annual bonus and long term pay components tied to financial statement result. On the other hand, because of the increase in the popularity of employee profit sharing and employees' stock ownership to monitor the health of the company's sponsored pension plans and to gouge the like hood that promised benefits will be provided upon retirement.

3. **Lenders suppliers:** financial statement plays several roles in the relationship between the company and those who supply financial capital-commercial lenders (bank, insurance company, and pension fund) use financial information to help in deciding the loan amount contractual provision the borrower to maintain a minimum level of working capital interest coverage or other key accounting variables that provides a safety-net to the lenders. On the other hand, suppliers demanded financial statements for many reasons before extending credit suppliers assess the financial strength of their customers in order to determine whether they will be paid for goods shipped.
4. **Customers:** repeated purchase and guarantees create continuing relationship between company and its customer. A buyer needs to know if its suppliers has the financial strength to deliver a high degree product on agreed schedule and if supplier able to provide technical support after sale. Thus, current financial information can help current potential customer monitor supplier's financial health and thus decide whether to purchase that supplier good and services.
5. **Government and regulatory agency:** they can demand financial statement information for various purpose, among them are:
  - basis for establishing tax policy
  - government agency often a customer of the business
  - used to regulate business especially public utilities

### 2.3. Types of financial statements

1) **Balance sheet:** it is a statement of financial position, presents the financial position of a business enterprise on a specific date. It also describes as a photograph of a business at a moment in time. There are three elements of balance sheet. (MOSICH-1989) they are:

- ❖ **Asset:** are probable future economic benefit obtained or controlled by a particular entity because of past transaction.
- ❖ **Liability:** are a probable future sacrifice of economic benefit arising from present or provide service for other entities in the future as a result of past transaction.
- ❖ **Equity:** the residual interest in the asset of an entity that remain after deducting its liability. In the business enterprise, the equity is the ownership interest.

There are three particular importance things to keep in mind:

- ✓ **Liquidity:** refers to the speed and ease with an asset can be converted to cash.
  - ✓ **Debt and equity:** to the extent that a firm borrows money, it usually gives claim to the firm's cash flow to creditors. Equity holders are only entitled to the residual value the portion left after creditors are paid. The value these of residual value is the shareholders equity holders are only entitled to the residual value the portion left after creditors are paid. The value these residual portion is the shareholders equity in the firm which is just the value of firm asset less value of the firm's liabilities.
  - ✓ **Market value and book value:** The value shows on the balance sheet for the firm's asset are book value and generally are not what the asset is actually worth. Under General Accounting Accepted Principle (GAAP) audited financial statement show asset at historical cost.
- 2) **Income statement:** income statement measures the performance over some period, usually quarter or year. The equation of the income statement is:

$$\text{Income} = \text{revenue} - \text{expenses}$$

If you think of balance sheet as a snapshot, they can think of income statement as a video record covering the period between before and after picture (Mosich 1989).

The first thing reported in the income statement would usually be revenue and expense from the firm principal is operation. Subsequence part includes among other things financing expenses such as interest paid are reported separately and the last item is net income. -Net income expresses on per-share basis and called Earning per-share.

- 3) **Statement of cash flow:** balance sheet shows the firm's investment (asset) and structure (liability and stockholder equity) at a given point in time. By contrasting, statement of cash flow shows the users why firm's investment financial structures have changed between balance sheet data. Thus, cash flow statement, which provide explanatory of why firms possession what between successive balances sheet data. Simultaneously explain the changes that have been taken place in the firm's non-cash asset, liability and stockholder equity account over the same time period.

The cash flow statement summarizes cash inflow and outflow of a company broken down in to three principal activities (Mosich or keiso-1989):

- A. **Operating activities:** cash flow from the operating activities results from the cash effects of the transaction and events that affect operating income both production and delivery of goods and services.
- B. **Investing activities:** cash flow from investing activities include making and collecting loans investing and disposing of debt or equity securities of other companies and purchasing and disposing of asset like equipment that are used by the company in the production of goods and services.
- C. **Financing activities:** cash flow from financing activities include obtain cash from new insurance of stock or bond paying dividend or buying back companies own shares (treasury stock) borrowing money and repaying amount borrowed. Statement of cash flow provides information not available from other financial statement. It indicates how it is possible to the company to report net loss and still making a large capital expenditure

or pay dividend. It can also tell whether the company issued or retired debt or common stock or both during the period.

D. common stock or both during the period.

Note the financial statement information that can be significantly affects firm's financial possession or condition is often containing in the note to the financial statement. These notes contain information in the firm's pension plan. On it none capitalized lease agreement on its recent question and divestitures on its accounting policies and so forth (Brigham-2004).

## 2.4 Overview of financial analysis

### 2.4.1 Purpose of financial statement analysis

Financial statement analysis is information-processing system designed to provide data for decision-making. The information is derived from published financial statement but in the process of analysis, use is also made of non-accounting data such as stock price and aggregate economic indicator. Users of financial statement information system are decision maker concerned with evaluating the economic situation of a firm and predicting its future course. Given the various use and motives, it is obvious that no single information will satisfy the entire requirement.

### 2.4.2 Users of financial analysis

Management of the firm or parties outside the firms can undertake financial analysis: owners, creditors, investors and other. The nature of the analysis will differ depend on the purpose of analyst.

- ❖ **Creditors:** are interested in the firm's ability to meet their claim over a short period of time. Their analysis will, therefore, confine with the evaluation of the firm's liquidity position.
- ❖ **Suppliers of long-term debt:** are concerned with the firm's long-term solvency and survival. They analyzed the firm's profitability over time, its ability to generate cash to be able to pay interest and repay principal the relationship between various sources of funds.

- ❖ **Investors:** investors who are invested their funds in firms share are most concerned about firms earning.
- ❖ **Management:** management of the firm would be interested in every aspects of the financial analysis. It is their overall responsibility to see that the resources of firm are used most effectively and efficiently, and that the firm's financial condition is sound.

## 2.5 Ratio analysis

Ratio analysis has been the major tool used in the interpretation and evaluation of financial statement for investment decision making. Generally, such analysis involves the breaker down of examined financial report into a component part (e.g. fixed and current asset) which are then evaluated in relation to other and exogenous standards. Ratio is indicator of firm's deficiencies such as poor liquidity or low profitability. Thus, the negative function of ratio is emphasized and favorable ratio may mean nothing unfavorable ratio is significant.

### 2.5.1 Uses of financial ratio analysis

To evaluate financial condition and performance of the firm the financial analyst needs certain yardsticks. The yardstick frequently used is a ratio or index relating two pieces of financial data to each other.

Analysis and data interpretation of various ratios should give experienced skilled analyst a better understanding of financial condition and performance of the firm than they would obtain from analysis of financial data alone.

Trend analysis is analysis of financial ratio, which involves two types of comparison. First the analyst can compare the present ratio with past and expected future ratio for some company. The current ratio (the ratio of current asset to current liability) for present year end could be compared with the current ratio for the preceding year. When financial ratio is arrayed in spread Trend analysis is analysis of financial ratio, which involves two types of comparison. First, the analyst can compare the present ratio with past and expected future ratio for some company. The current ratio (the ratio of current asset to current liability) for present year-end could be compared with the current ratio for the preceding year. When financial ratio is arrayed in spreadsheet over period

of year the analyst can study the composition of change and determined whether there has been an improvement or deterioration in the financial condition and performance over time.

Financial ratio can be computed for projected statement and compare present and past ratio. In the comparison over time, it is best to compare not only financial ratio but also raw figures. The second method of comparison involves comparing the ratio of one firm with that of other similar firms or industry overage at the same point in time. Such as a comparison give insight in the financial performance of the firm.

In order to get adequate information about company's performance and future condition we can use a number of methods:

- **Ratio analysis:** it is powerful tool of financial analysis. The ratio is defined as indicated quotient of two mathematical expressions.
- **Index analysis:** it supports the traditional analysis. The items in the financial statement are expressed in index relative to the base year.
- **Common size analysis:** it expresses the status of each items in the balance sheet as parent age of total asset or net and each item of income statement as percentage of total sale or net.
- **Trend analysis:** in the financial analysis the direction of change over period of year is given importance.

To the particular paper the researcher can be use the most important financial performance analysis method called ratio analysis.

## 2.6 Objective of ratio analysis

The major objective of ratio analysis is considered to be facilitation of statement interpretation, this is basically achieved by reducing the large number of financial statement items to relatively small set of ratio such as ratio relate the absolute value financial items to common basis(total asset)

allowing a meaningful comparison of financial data both over time and across firms for a given time period, however financial ratio are not intended to provide definite answer their real value is derived from the question they provokes. Ratios are therefore symptom of firm's economic condition intended to guide the analysis in the financial investigation.

### Classification of ratio analysis

There are four categories of ratio analysis; each measures a particular aspect of firm's position and performance. (Brigham-2004) they are:

- ❖ Liquidity ratio
- ❖ Activity ratio (asset management ratio)
- ❖ Leverage (debt management) ratio
- ❖ Profitability ratio

### 2.6.2 Liquidity ratio

Liquidity refers to the ability of the firm to meet its obligation in the short run, usually one year. Liquidity ratios are generally based on the relationship between current asset (the source for meeting short-term obligation) and current liability. From the important liquidity ratios are:

**Current ratio:** it measures the ability of the firm to meet its current liability, current asset converted into cash in the operating cycle of the firm and provide the fund needed to pay current liabilities, the higher current ratio, the greater short-term solvency. However, in interpreting current ratio the composition of asset must not be over looked. A firm with a high proportion of current asset in the form of cash and account receivable is more liquid than one with high proportion of current asset in the form of inventories even though both firms have the same current ratio.

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Liability}}$$

**Quick ratio:** it established the relationship between liquid asset and current liability. It is the same with current ratio but in quick ratio there is no inventory. The ratios concentrate on cash

$$\text{Quick ratio} = \frac{\text{Current asset} - \text{Inventory}}{\text{Current liability}}$$

### 2.6.3. Efficiency (turnover) or asset management ratio

The and marketable securities in relation to current obligation and thus provide a more penetrating measure of liquidity than the current ratio objective of this ratio is to indicate various aspects of operational efficiency, attention is focused here. The efficiency of asset utilization is measured by the profitability ratio. There are some ratios here.

**Fixed asset turnover ratio:** it indicates the extent to which firm is using existing property, plant asset and equipment to generate revenue. Higher rate of this ratio is supposed to effect better than average fixed asset management and lower ratio represent poor management.

$$\text{Fixed asset turnover ratio} = \frac{\text{Sale}}{\text{Fixed asset}}$$

**Total asset turnover ratio:** it measures the turnover of all the firm's asset it indicates how effectively firm use its total resource to generate sale and is a summery measure influenced by each of the asset management ratio. High rate of this ratio indicates a successful asset management, and low ratio to indicate unsuccessful asset management.

$$\text{Total asset turnover ratio} = \frac{\text{sale}}{\text{total asset}}$$

### 2.6.4. Leverage (Long term solvency or debt management ratio)

The purpose of this ratio is to indicate the firm's ability to meet both principal and interest payment on the long-term obligation as opposed to short-term liquidity ratio; these measures stress the long-term financial and operating structure of the firm.

❖ **Debt equity ratio:** it shows the relative contribution of creditors and owners.

$$\text{DER} = \frac{\text{Debt}}{\text{Equity}}$$

The numerator of this ratio consists all liability; short term as well as long term and denominator consist of net worth plus preference capital. In general, the lower debt equity ratio is needed mean that the higher the degree of protection enjoyed by creditors.

❖ **Debt ratio:** it measures the extent to which borrowed fund support the firm's asset.

$$\text{Debt ratio} = \frac{\text{Debt}}{\text{Asset}}$$

- ❖ **Time interest earned ratio:** it is supposed to measure how easily the firm can meet its interest obligation. Many times, the interest payment is covered by funds that are normally available to pay interest expenses. The lower ratios of time interest indicate the more a firm uses debt than its typical competitors do.

$$\text{Time interest earned ratio} = \frac{\text{Net operating income}}{\text{Interest expense}}$$

- ❖ **EBIT coverage ratio:** the time interest ratio is useful for assessing a company's ability to meet interest charge on its debt, but this ratio has two things: one is interest is not the only fixed financial charge, company also debt on schedule on many firms lease asset and this must make lease payment. Two is that EBIT does not represent on cash flow available to services debt; especially the firm has high depreciation and /or amortization charge. To account this deficiency bankers and others are developed the EBIT coverage ratio, defines as follow:

$$\text{EBIT coverage ratio} = \frac{\text{EBIT} + \text{Lease payment}}{\text{Interest} + \text{Principal payment} + \text{Lease payment}}$$

This ratio is useful for relatively short-term lender such as banks, which rarely make loans for longer than five years. Therefore, banks and other relatively short-term bondholder focus on the time interest earned ratio (Brigham-2004).

### 2.6.5. Profitability ratio

A company should earn profit to survive and grow over a long period. Profit are essential, but it would be wrong to assume that every action initiated by a management of the company should be arrived at a maximizing a profit is looked up on a term of a base since some firms always want to maximize profit at a cost of employees, customer and society.

Except for such frequent cases, it is fact that sufficient profit must be earned to sustain the operation of the business to be able to obtain funds from investors for expansion and growth and to contribute towards the social overhead for the welfare of the society. It will have no future if it fails to make sufficient profit. A manager should continuously evaluate the efficiency of its

company in terms of profit. Profitability ratios are calculated to measure the operating efficiency of the firm.

- **Basic earning power ratio (BEPR):** this ratio indicates the ability of the firm's asset to generate operating income.

$$\text{BEP ratio} = \frac{\text{EBIT}}{\text{Total asset}}$$

This ratio shows the earning power of firm's asset, before the influence of interest and tax, and it is useful for comparing firms with different tax situation and different degree of financial leverage.

- **Return on asset ratio (ROA):** it measures the return on total asset after interest and tax

$$\text{ROA ratio} = \frac{\text{Net Income Available for common stock holder}}{\text{Total asset}}$$

- **Return on equity (ROE) ratio:** this ratio is the most important accounting ratio, which measures the return on common equity.

$$\text{ROE ratio} = \frac{\text{Net Income Available for common stock holder}}{\text{Common equity}}$$

## 2.7. Empirical Studies

Below is a summary of empirical studies on financial performance analysis in the context of different countries.

Hempen and Simon spon (1998) have made a study on the bank's financial performance and managerial efficiency in Taiwan. The study found that the higher the ROA, the higher is the financial performance or profitability of the banks.

Selah and Ramie (2006) In order to evaluate the Islamic banks' performance in Jordan examine and analyze the experience with Islamic banking for the first and second Islamic bank, Jordan Islamic bank for France and investment (JIBFI), and Islamic international Arab Bank (IIAB) in Jordan. The study also highlights the domestic as well as global challenges being faced by this sector. Conducting profit maximization, capital structure, and liquidity tests as performance evaluation methodology, the paper finds several interesting results. First, the efficiency and ability of both banks have increased and both banks have expanded their investment and activities.

Second, both banks have played an important role in financing project in Jordan. Third, these banks have focused on the short- term investment. Forth, Bank for Finance and Investment (JIBFI) is found to have high profitability. Finally, the study concludes that Islamic banks have high growth in the credit facilities and in profitability. Abdu's Sam ad (2004) in this paper examines the comparative performance of Bahrain's interest-free Islamic banks and the interest based conventional commercial banks during the post-Gulf War period 1991-2001. Using nine financial ratios in measuring the performance with respect to (a)profitability,(b)liquidity risk ,and (c)credit risk, and applying student's t-test to these financial ratios, the paper concludes that there exists a significance difference in profitability and liquidity performance between Islamic banks and conventional banks. Ahmad and Hassan (2007) analyzed the asset quality, capital ratios, operational ratios such as net profit margin, net interest income, income to asset ratio , non-interest income to asset ratio and liquidity ratios for seven years from 1994-2001. Islam banks on an average were the preminent performer in terms of lowest non- performing to gross loan ratio, capital funds to total asset ratio, capital funds to ne t loans, capital funds to short -term loan ratio, capital funds to liability ratios, non-interest expense to average asset ratio and most of the liquidity ratios. Selah and Ramie (2006) In order to evaluate the Islamic banks' performance in Jordon examine and analyze the experience with Islamic banking for the first and second Islamic bank, Jordan Islamic bank for France and investment (JIBFI),and Islamic international Arab Bank (IIAB) in Jordon. The study also highlights the domestic as well as global challenges being faced by this sector. Conducting profit maximization, capital structure, and liquidity tests as performance evaluation methodology, the paper finds the efficiency and ability of both banks have increased and both banks have expanded their investment and activities. Finally, the study concludes that Islamic banks have high growth in the credit facilities and in profitability.

### **2.7.1 summery and knowledge gap of review literature**

This summery and knowledge gap shows the variation and its difference from the other researches. Therefore, the above theoretical as well as empirical review financial performance is important to all banking sectors especially commercial bank of Ethiopia. According to the review, most of the empirical studies done on the area about financial performance analysis by using primary data like questionnaire and interview Bentn, E.G., and James, W.K (2005),”and the other researcher show financial performance analysis with a commercial bank of Ethiopia and other researcher take singe time period like one year's only and cross sectional data analysis of different firms about

performance analysis of banks then depend on the above idea this research address or to show the financial performance of commercial bank of Ethiopia by using secondary data like financial statements of commercial bank of Ethiopia about three years data analysis.

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1 Research Design**

The research design was a master plan that specified the methods and procedures for collecting and analyzing the required data. Having completed the process of data collection from secondary sources, the researcher would use descriptive type of data analysis to draw clear conclusion and inferences. This descriptive type was preferred due to its clarity and simplicity. The data collected has been analyzed and presented by using tabulation and percentage, which is used to make comparison and inferences. The findings would compute manually by using pocket calculators. Tabulation would mostly used since it facilitates easy interpretations. This section of the study explains research design, target population, sample and sampling method source of data collection and method of data collection, data analysis and interpretation

### **3.2 Research approach**

The research problem and objective along with the philosophy of the different research approaches, the quantitative nature of the data collected, quantitative research approach would be found to be appropriate for this study. This study would use a quantitative research approach to assess a state's objective because quantitative research is a systematic and scientific investigation of quantitative properties and phenomena and their relationships (Abbey, 2009). In order to attain the objective of the study and answer the research questions.

### **3.3 Method of Data Collect**

The researcher also collect data from Secondary data (documentary source) which covers the most and the source are taken from the annual financial statement of the Commercial Bank of Ethiopia. Basically, the reality and validity of good research are based on the quality of data collected. Therefore, to get relevant data or information verified financial statements can be used and all necessary precaution will be taken, to ensure genuine information is obtained.

### **3.4 Data Analysis Method**

Data analysis of this study is by checking and analyzing the document of secondary data of the bank. There are also interpreting the bank financial performance among various ratio analysis method through graphical and tabular data analysis would be applied.

### **3.5 Method of Presenting the Outcomes**

After the secondary data were collect and analyze, the data would be described by using numerical measures through different tables, diagrams and percentages, which used to compare the trends in different years.

## CHAPTER FOUR

### 4. DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Overview of the Commercial Bank Ethiopia

The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963. Since then, it has been playing significant role in the development of the country. Currently, CBE has more than 37.9 million account holders in its more than 1842 branches and the number of Mobile and Internet Banking users also reached more than 6.6 million and 37k. Active ATM card holders reached more than 8.3 million and 17 million CBE Birr users.

- VISION

A world-class commercial bank financially driving Ethiopia's future.

- MISSION

We are committed to realize stakeholder's values through enhanced financial intermediation using the best professionals and technology.

- CORE VALUES

Our core values detailed below are the operating principles that guide our internal conduct as well as our relationship with our customers, partners, and shareholders.

- Integrity
- Service Excellence
- Professionalism
- Empowerment
- Innovative Organization
- Teamwork
- Respect for Diversity
- Corporate Citizenship

## 4.2 Data Analysis

As explained in chapter one the general objective of this paper is to evaluate the financial performance of the Commercial Bank of Ethiopia. The secondary data of the Commercial Bank of Ethiopia discussed under this topic is based on data analysis for the past three consecutive years to evaluate the performance.

### 4.2.1 Income analysis

Items	Absolute					Percentage	
	2019	2020	2021	2019/20	2020/21	2019/20	2020/21
Interest income	45,675.25	53,769.76	65,312.96	8,094.51	11,543.2	17.72	21.14
Commission and service charge	6,875.33	13,566.71	15,118.66	6,691.38	1551.95	97.3	11.4
Gain on foreign currency	479.23	(3,384.13)	(1,730.79)	(3,863.36)	1,653.34	(8.06)	(4.88)
Other income	1,244.73	1,255.49	1,523.56	10.76	268.07	0.86	21.1
Total	54,274.54	71,976.09	80,224.39	17,701.55	8248.3	32.6	11.4

Source: From secondary data

*Table 4.1. Income analysis*

As we understand from the above table that is the absolute annual income analysis of commercial bank of Ethiopia is increase from year to years and the aggregate income of the bank increases continuously. In 2020 and 2021 the bank earned an aggregate income of 71.09 million and 80.39 million, registering an increase of 32.6% and 11.4% respectively.

#### 4.2.2 Expense Analysis

Items	Absolute					Percentage	
	2019	2020	2021	2019/20	2020/21	2019/20	2020/21
Interest expense	20,056.8	24,680.08	33,142.99	4,623.28	8,462.91	23	34.3
Salary and benefit	9,672.64	16,747.59	17,377.20	7,074.95	629.6	7.3	3.75
General expense	5,604.35	7,915.20	7,812.88	2,310.85	(102.3)	4.12	(1.23)
Doubtful debts	3,267.97	9,39.73	2,652.66	(2,328.24)	1,712.7	(7.1)	182.25
Total	38,601.76	50,282.6	60,985.73	16,337.32	10,702.91	27.32	219.07

Source: From the secondary data

*Table 4.2. Expense analysis*

As shown in the above table all expense significant growth during the period under review. The aggregate expense in 2020 and 2021 reached birr 50.6 million and 60.73 million respectively, they exceed the previews period by 27.32% and 219.07% respectively.

#### 4.2.3 Deposit Analysis

Items	Absolute					Percentage	
	2019	2020	2021	2019/20	2020/21	2019/20	2020/21
						0	1

Demand deposit	222,697.15	243,198.37	272,192.13	20,501.22	28,993.76	9.2	11.9
Saving deposit	270,215.78	302,481.03	402,228.75	32,265.25	99,747.72	11.9	32.97
fixed deposit	48,027.87	47,361.74	60,875.10	(666.13)	13,513.36	(1.38)	28.5
Total	540,940.8	593,041.14	735,295.98	52,100.34	142,254.84	19.72	73.37

Source: Secondary data

#### *Table 4.3. Deposit analysis*

As shown in the above table the total deposit mobilized by the bank has been increased continuously. In 2020 and 2021, the total deposit of bank was 593.14 million and 735.98 million respectively. An increase of 19.72% and 73.37% is registered in 2020 and 2021 respectively. The fixed deposit in the above table is increased by 28.5% in 2020/21 year. This rise of fixed deposit is due to the strategic action taken by the bank.

The overall increase of total deposit was a result of the opening of additional branches, the improvement made in customer service and ensuring growing confidence of the public.

#### 4.2.4 Ratio Analysis

As explained in chapter two ratio analyses is one of the major tools used in interpretation, analysis and evaluation of financial statement data. In this topic, the various type of value ratio analysis is used to interpret and evaluates the financial performance in the last three years.

#### 4.2.5 Liquidity Ratio

It measures the ability of the firm to meet its current obligation. The important liquidity ratio is current and quick ratio. Since the bank is no inventory in the financial statement the researcher use ratio to evaluate the performance of the bank.

**Current ratio:** this ratio measures the ability of commercial bank to meet current liability by using current asset.

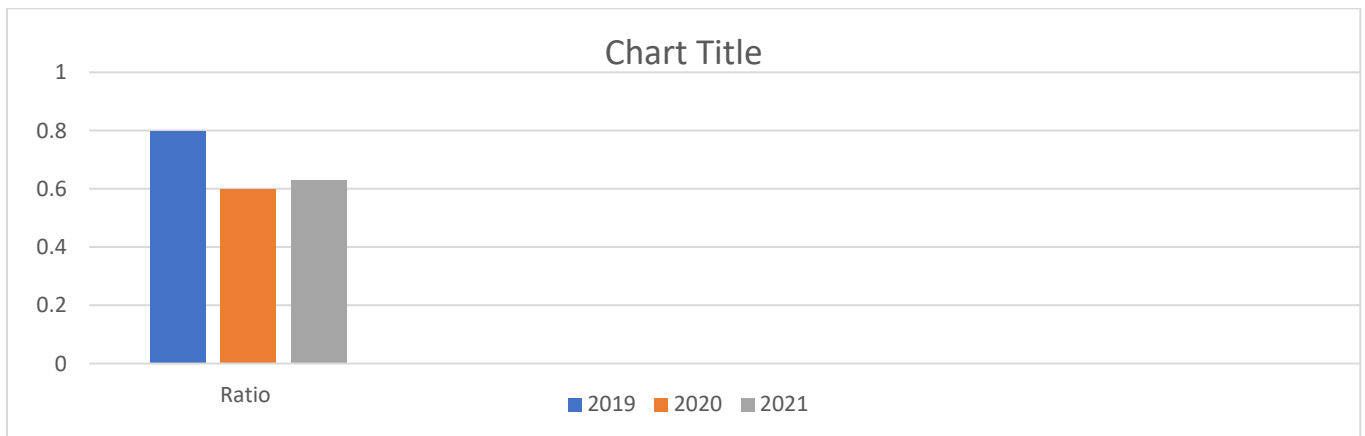
$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liability}}$$

Items	2019	2020	2021
Current asset	85,473.46	97,524.06	117,165.82
Current liability	107,016.93	162,690.18	186,287.32
Ratio	0.798	0.599	0.63

Source: From the secondary data

*Table 4.4. Current ratio*

In the past three years the bank current ratio was less than 1, When the Current Assets < Current Liabilities, or Current Ratio < 1, This indicates that the company does not have sufficient assets to pay off its short-term debt and is not in a desirable position. However, a low current ratio does not necessarily mean the company will go bankrupt. Graphically the researcher can show as:



As shown in the above graph in 2019 the bank has birr 0.798 in current assets not available to cover every one birr in current liability. In 2020 and 2021 the ratio declines to 0.599 and 0.63 respectively. Since the banks current ratios still are not moderate, the current asset of the bank is insufficient to cover its current liability.

### 4.3 Activity (asset management) Ratio

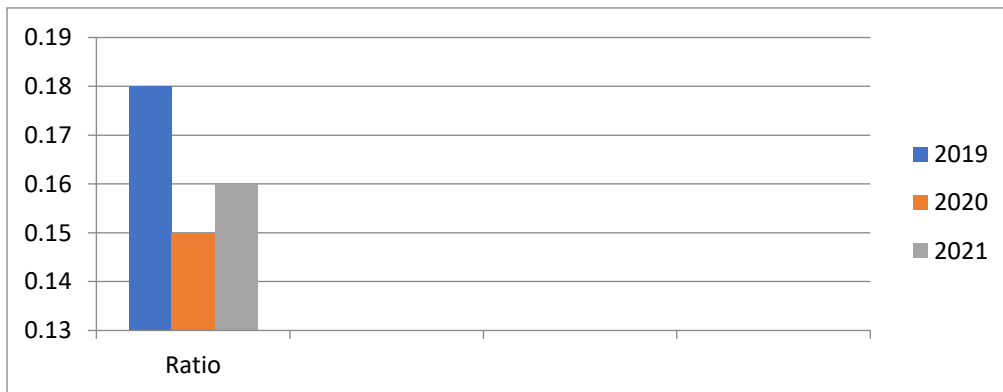
This ratio is employed to evaluate the efficiency with which the firm managed and utilizes its resources (asset). For this analysis purpose the researcher uses fixed asset turnover ratio and total asset turnover ratio.

$$\text{Current asset turn over} = \frac{\text{Total operating income}}{\text{current asset}}$$

Items	2019	2020	2021
Total operating income	15,699.54	14,956.65	19,277.70
current asset	85,473.46	97,524.06	117,165.82
Ratio	0.18	0.15	0.16

Source: From the secondary data

Table 4.5. current asset turnover ratio



Current asset turnover has been increased steadily over 2021. The analysis have been shown the amount of positive grow all the company ability to earn a large amount of current asset. To generalize current asset turnover of three years that commercial bank Generate an income of birr 0.18, 0.15, 0.16, for the year 2019- 2021 respectively for 1 birr investment in current asset.

**Fixed asset turnover ratio:** it indicates the extent to which firm is using the existing property, plant asset and equipment to generate revenue.

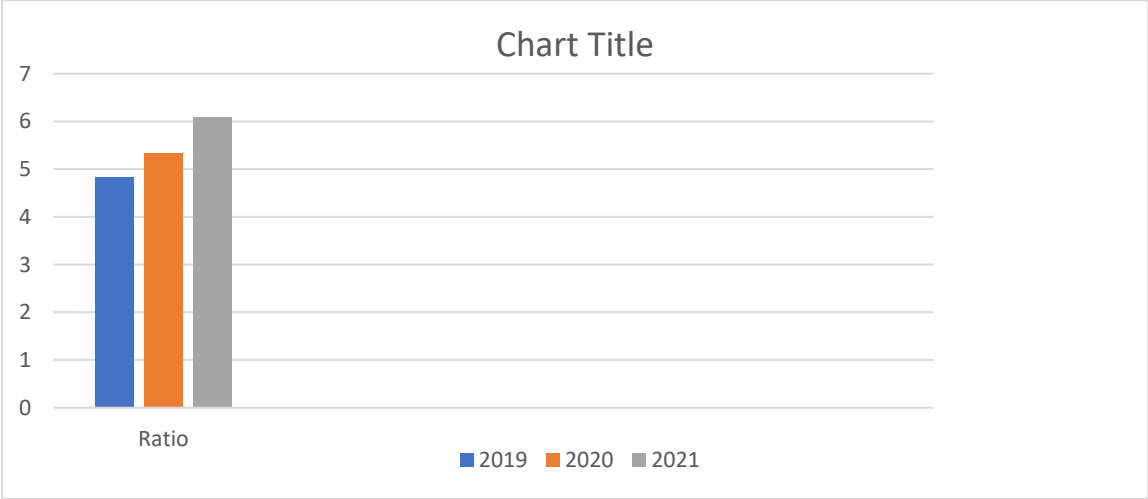
$$\text{Fixed asset turnover ratio} = \frac{\text{Total asset}}{\text{Fixed asset}}$$

Items	2019	2020	2021
Revenue	54,274.54	71,976.09	80,224.39
fixed asset	11,207.84	13,497.76	13,182.46
Ratio	4.84	5.33	6.08

Source: From the secondary data

Table 4.5. Fixed asset turnover ratio

In the above the shown banks’ ability in using its existing property, plant asset and equipment in the last three years were presented. In 2019, the bank uses its fixed asset of 4.84 times its total revenue and 5.33 and 6.08 times of total revenue of 2020 and 2021 respectively. The trend efficiency of the bank for the last three years can show in the following graph for more understanding.



As shown in the graph the fixed asset turns over ratio were increased in the past three years, this implies that the banks performance in using its fixed asset intensively was improved from 2019 to 2021.

**Total asset turnover ratio:** as it has been indicated in literature review this ratio indicates how effectively the bank uses its total resource (asset) to generate revenue.

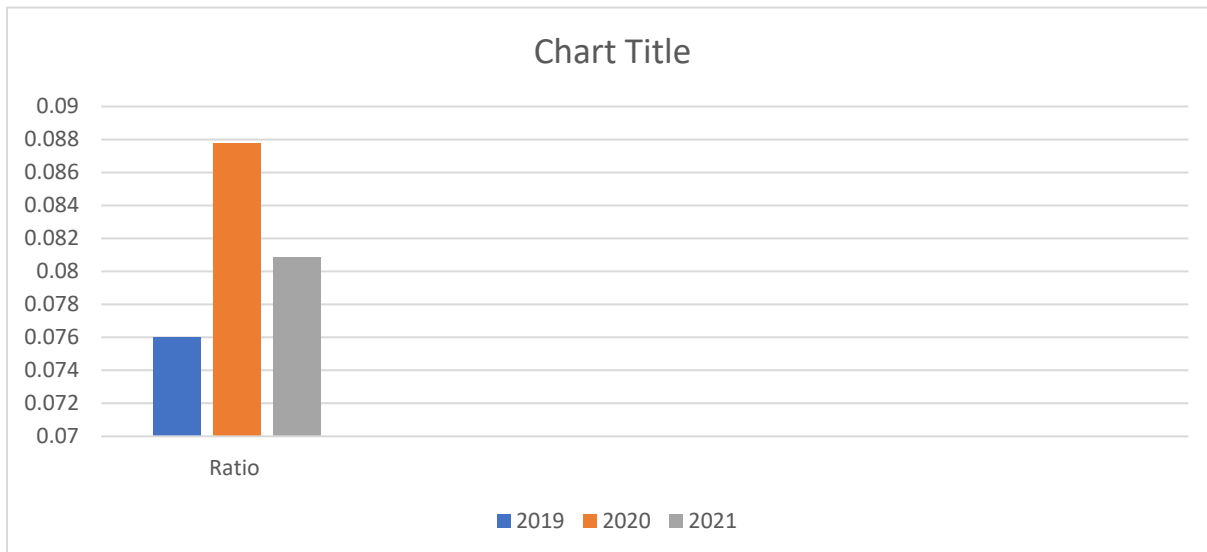
$$\text{Total asset turnover ratio} = \frac{\text{Revenue}}{\text{Total asset}}$$

Items	2019	2020	2021
Revenue	54,274.54	71,976.09	80,224.39
Total asset	712,882.22	819,278.84	991,319.02
Ratio	0.076	0.0878	0.0809

Source: secondary data

Table 4.6. Total asset turnover ratio

Graphically:



As indicate in the above graph the total asset turnover ratio of the bank has been increased from 2019 to 2020. This is clear indication of the banks efficiency in using its total asset in relative to generate revenue and profitability.

#### 4.4 Leverage (debt management) Ratio

As discussed in literature review the purpose of leverage ratio is to indicate the firm's ability to meet both principal and interest payment on the long-term obligation. For this analysis purpose, we use debt ratio and time interest earned ratio.

**Debt management ratio:** it measures the extent to which borrowed fund support the firm asset.

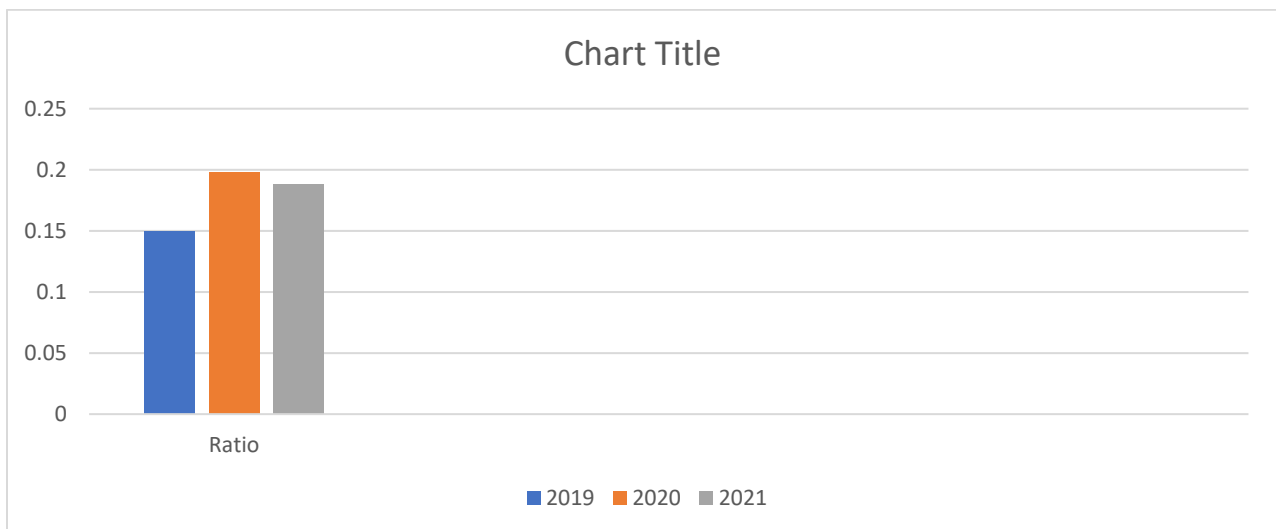
$$\text{Debt ratio} = \frac{\text{Total debt}}{\text{Total asset}}$$

Items	2019	2020	2021
Total debt	107,016.93	162,690.18	186,287.32
Total asset	712,882.22	819,278.84	991,319.02
Ratio	0.15	0.198	0.188

Source: From the secondary data

Table 4.7. Debt management ratio

Graphically; it can be shown as:



As indicated in the above graph the debt ratio for 2019 the bank has good capital structure relative to the two years 2020 and 2021 is almost similar and relatively less in 2019. It implies that the

bank has good capital structure in 2019 relative to the two years, but as whole the debt ratio is high in the last years. The firm assets are provided by creditor than owner. As a result, creditors may require increasing the rate of return (interest rate) for taking higher risk in the last three years.

**Time interest earned ratio:** it intended to measure how easily the firm can meet its interest obligation.

$$\text{TIE ratio} = \frac{\text{EBIT}}{\text{Interest}}$$

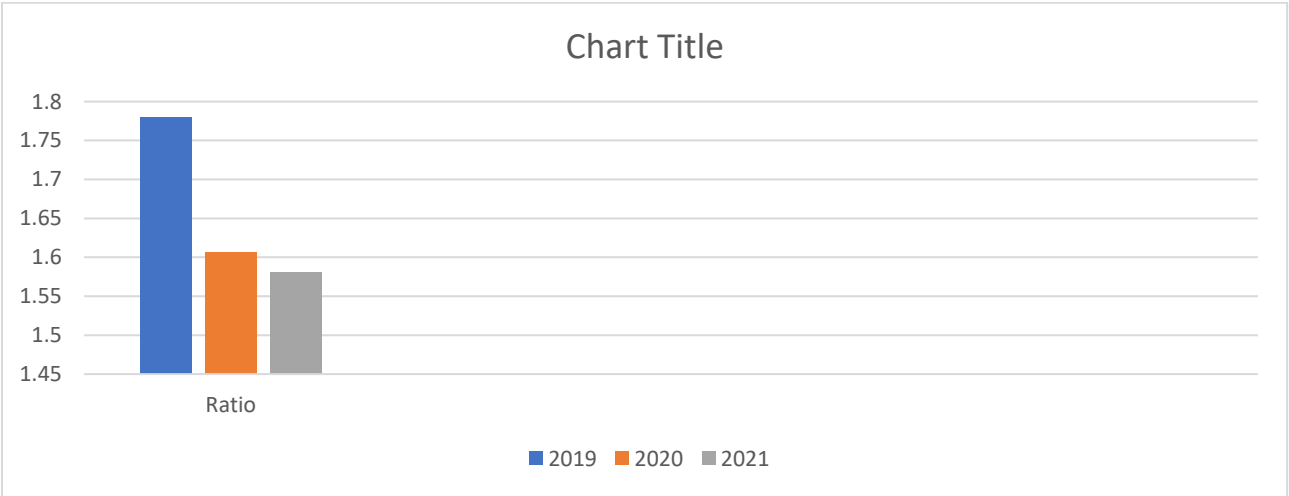
Items	2019	2020	2021
EBIT	35,756.8	39,636.73	52,420.69
Interest	20,056.80	24,680.08	33,142.99
Ratio	1.78	1.606	1.58

Source: secondary data

Table 4.8. Time interest earned ratio

As shown in the above in 2019 to 2021 the bank has unable to meet its annual interest charge by decreasing high margin of safety.

Graphically it can be:



Generally, both in 2019 to 2021 of margin of safety is not good. In the three years the bank can generate operating income to doesn't meet its obligation, the three years the bank can face some difficulty like raising additional borrowing in the future, since it minimizes future strong position.

#### 4.5 Profitability Ratio

These ratios are used to measure the management effectiveness. It describes the firm's past profitability. Even if there are some evidences that past profitability indicates the future prospect, this ratio is very important in evaluating performance. For this analysis, purpose the researcher uses basic earning power ratio and return on asset.

**Basic earning power ratio:** this ratio indicates the ability of the bank asset to generate income before tax and leverage.

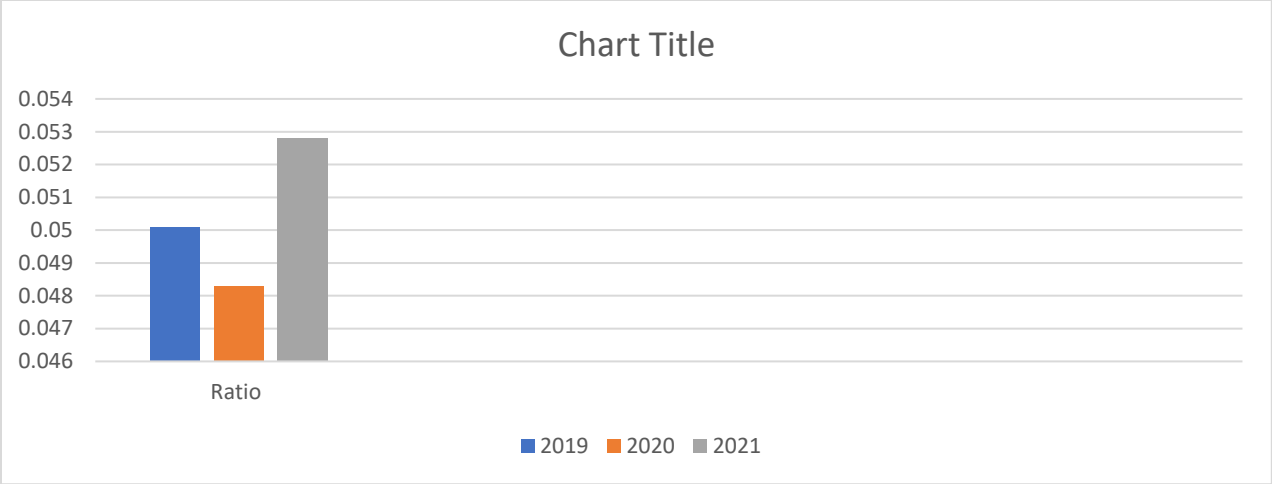
$$\text{BEP ratio} = \frac{\text{EBIT}}{\text{Total asset}}$$

Items	2019	2020	2021
EBIT	35,756.8	39,636.73	52,420.69
Total asset	712,882.22	819,278.84	991,319.02
Ratio	0.0501	0.0483	0.0528

Source: From secondary data

*Table 4.9. Basic earning power ratio*

The banks BEP ratio is 5.01%, 4.83% and 5.28% for the last consecutive years respectively. They reflect that the bank has unable to generate annual revenue in 2019 to 2020. Also 2020 to 2021 they reflect that the bank has an ability to generate annual revenue. This can be analyzed in the following graph:



As shown in the above graph BEP ratio of the bank have been decreasing from 2019 to 2020 but in 2020 to 2021 the bank it shows relatively increasing ratio. This implies that the bank has good total asset turnover ratio.

**Return on asset ratio:** it implies that the return on total asset after interest and tax.

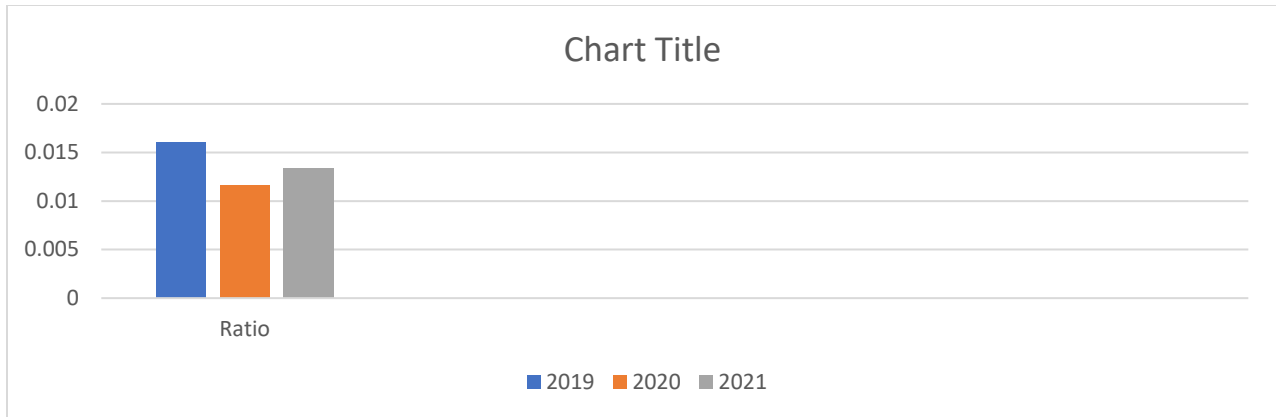
$$\text{ROA ratio} = \frac{\text{Net Income}}{\text{Total asset}}$$

Items	2019	2020	2021
Net income	11,487.04	9,533.67	13,287.41
Total asset	712,882.22	819,278.84	991,319.02
Ratio	0.016	0.0116	0.0134

Source: From the secondary data

Table 4.10 Return on asset ratio

It can be shown graphically as follow:



As shown in the above figure the ratio increases in the first year in 2019, but slightly decrease in the second and the last two years respectively 2020 to 2021. This reflects the bank is utilized its resource or total asset effectively in the process of generating revenue.

#### 4.5.1 Return on equity of commercial bank of Ethiopia

This ratio measures the profit generated per birr investment made by the owner of the bank and every interested in the rate of return on their investment. Higher return on equity increase the price of shares in the capital market and stockholders; also expected higher dividend distribution. Returns on equity of shareholders have calculated to show the profitability of owners' investment. The shareholders equity or net worth will include paid up share capital, share premium, reserve, and surplus less accumulated loss. The return on shareholders' equity in net profit after a tax dividend by shareholders equity.

$$ROE = \frac{\text{Net Income}}{\text{Equity}}$$

Items	2019	2020	2021
Net income	11,487.04	9,533.67	13,287.41
equity	50,248.68	49,822.05	53,826.52
Ratio	0.228	0.19	0.246

Source: From the secondary data

*Table 4.11 Return on Equity*



Return on equity index of commercial bank was at its minimum at 2020 which was 0.19 but in the year 2021 is rich maximum that is 0.246, this ratio indicate how well the firm has used the source of owners. Generally, the bank is good in using its equity.

## CHAPTER FIVE

### 5. CONCLUSION AND RECOMMENDATION

#### 5.1. Summary

Financial performance is the process of identifying the financial strength and weakness of the bank. In Ethiopian banking industry, having the knowledge of financial position, liquidity management, make share and profit percentage is the main issue in order to have proper growth. The main objective of this study is assessing the financial performance of the commercial bank of Ethiopia by using ratio analysis. Ratio can be categorized into liquidity, activity, and leverage and profitability ratio. Generally, the data gathered from the bank has contributed forward most of the study feedings. Hence, the following conclusion has been made from the study and recommended accordingly;

#### 5.2. Conclusion

An assessment of financial performance helps in identifying strength and weakness of the bank.

In case of this study, the relevant financial ratios are calculated to evaluate the financial performance of commercial bank of Ethiopia for the year 2019-2021 by using secondary data.

From the analysis made on the researcher conclude the following points:-

- ✓ In all of the study period, the bank current ratio is less than 1 birr. This indicates that the bank hold less cash than its peers to meet immediate cash withdrawals needs of depositions. The bank has improved its current ratio over the year under review.
- ✓ Concerning the activity ratio, the current asset holding the largest section of total asset. The lower pirating efficiency show to generate income with a given movement of investment on current asset. The current asset turnover was 0.18, 0.15, and 0.16, birr for the last consecutive three years from 2019-2021. These result in their level of return of capital employee that affects operation profitability and leverage ratio. For significance and return on the shareholders investments that means lower return on equity in the case of fixed asset turn over, the bank's performance in using fixed asset decline from 2019-2020. Moreover, the total asset turnover revealed that inefficiency of management in proper qualitative judgments in generating income given total asset.

- ✓ The bank have high advantage because, more than half of its capital is proved creditors and the bank debt ratio is 0.18, 0.15 and 0.16 for the last consecutive three years for the period under study.
- ✓ The bank has lower return on asset 1.16% 1.16% and 1.34% for the last consecutive three years for the period under study. The low return result from the bank low basic earning power is the ability of the bank's asset to generated income before tax and leverage and its high interest cost results from its above average use of debt. Both of which cause its net income respectively. Moreover, the bank has also low return on equity that is 22.8%, 19% and 24.6%for the years covered by this study. This low return is result from low level of current asset turnover and it is high interest cost resulted from its above user of debt. Based on analysis comparison with the bank benchmark; the bank shows relatively good financial position.

### 5.3. Recommendations

- ✓ Accounting in real sense, it is the language of business, which describe the problem of the bank and truck for the possible solution. In making of quantitative decision based on quantitative information for the problems especially mixed and descriptive information or decision, so good financial management is vital important to the economic health of business firm. For the sake of this result, in this study the researcher have trend to detect and asset the main strength and weakness of commercial bank of Ethiopia by using ratio analysis.
- ✓ Based on conclusion of the following possible policy implications have suggested hoping that they would help to avail program and obstacle, which are detected in the analysis part of this paper tries the financial operation and economic performance of the bank.
- ✓ The bank should continue its improvement of current ratio in order to compare itself with other banks. This is guarantee for depositor and creditor from suffering a need fund. Therefore, management of the bank should maintain its liquidity position by using different alternatives like sell of stock & bond and by improving its current asset turnover.

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**APPENDIX**  
**WOLKITE UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING & FINANCE**

Commercial Bank of Ethiopia			
Balance Sheet			
At year ending June			
(In Millions of Birr)			
	2019	2020	2021
<b>Assets</b>			
Cash on hand	7749.223	8064.53	8559.67
Cash at Bank	51092.74	58245.67	69839.38
Reserve Account with NBE	26370.16	30437.25	37737.25
Cash Reserve with foreign Banks	261.34	776.614	1029.52
Treasury Bills			
Other Investments/bonds	395359	445351.6	552730.9
Non current asset held for sale	1007.145	1030.52	935.49
Sundry Debtors & Other debit balances	13892.02	19883.24	20295.82
Total Loans Advances (Including Recivable)	215079.4	255215	302034.9
Less Provision For Doubtful Debts	9136.67	13223.39	15026.4
Net Loans & advances	205942.7	241991.6	287008.5
Customers' liability for L/C			
Net Fixed assets (Aq.asset,deferred charges)	11207.84	13497.76	13182.46
<b>Total Asset</b>	<b>712882.2</b>	<b>819278.8</b>	<b>991319</b>
<b>Liabilities</b>			
Deposits	540940.8	593041.1	735296
Demand Deposits	222697.2	243198.4	272192.1
Saving Deposits	270215.8	302481	402228.8
Fixed Deposits	48027.87	47361.74	60875.1
Foreign Bank their A/C			
Trust Funds			
Short term loans			
Other credit balances	92138.78	144439.2	137539.4
Margin held on L/C	14878.15	18250.97	48747.91
Long term loans			

Provision for taxation	5992.447	5954.27	6337.24
State dividend payable	8683.363	7771.19	9571.96
Other provisions			
Bank's liability to L/C			
Capital & reserves	50248.68	49822.05	53826.52
Authorized & paid	40000	40000	40000
Legal reserves	9678.098	12050.77	15263.36
General & Special reserves	-108.647	-2617.13	-1287.36
Statutory reserve	886.66	241.93	236.34
Retined Earning	0		
Profit & loss A/C	-207.43	146.48	-385.82
Total	712882.2	819278.8	991319

Commercial Bank of Ethiopia			
Year-ending June Income Statement			
( In millions of Birr)			
	2019	2020	2021
Descriptions	2019	2020	2021
Interest Income	45675.25	53769.76	65312.96
Interest Expense	20056.8	24680.08	33142.99
Net Interest Income	25618.44	29089.68	32169.97
Service Charge & Commission Income	6875.33	13566.71	15118.66
Gain or loss on foreign currency transaction	479.23	-3384.13	-1730.79
Gain or loss on Equity investment in associates	26.77	31.42	39.04
Other Income	1244.73	1255.49	1523.56
Total Non Interest Income	8626.06	11469.49	14950.47
Net Interest Income & Non Interest income	34244.5	40559.17	47120.44
Employees Salary & benefits	9672.64	16747.59	17377.2
Provision For Doubtful Loans and other assets	3267.97	939.73	2652.66
General Expenses	5604.35	7915.2	7812.88
Total Non Interest Expenses	18544.96	25602.52	27842.74
Prior Year Ajustment			
Operating Income before Tax	15699.54	14956.65	19277.7
Tax	4212.5	5422.98	5990.28
Net Income After Taxes & Provision	11487.04	9533.674	13287.41