AN ASSESSMENT OF FINANCIAL PERFORMANCE OF COMMERCIAL BANK OF ETHIOPIA

BY

TSIYON SINTAYEHU

A SENIOR ESSAY SUBMITTED TO DEPARTMENT OF ACCOUNTING OF JIMMA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR AWARDING BACHELOR DEGREE IN ACCOUNTING & FINANCE

JIMMA UNIVERSITY

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DEPARTMENT OF ACCOUNTING

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Declaration

I, undersigned declare that this research paper entitled "An assessment of financial performance 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.

NAME: Tsiyon Sintayehu SIGNATURE: ____________________

As University advisor, I, hereby certify that I have read and evaluated the senior essay undertaken by Tsiyon Sintayehu under my guidance, which is entitled "An assessment of financial performance 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: Yonas Mekonnen SIGNATURE: ________________

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.

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Acronyms

CAT – Current Asset Turnover

CBE – Commercial Bank of Ethiopia

CR – Current ratio

DPS - Dividend per Share

TFAT – Total Fixed Asset Turnover

CHAPTER ONE

INTRODUCTION

1 Background of the study

Financial performance is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items, balance sheet and profit & loss (PL) account. It helps to predict the firm's future earnings and dividend from investors starting point. It also helps to predict the future anticipated condition and more important as starting point for planning action that will influence on the future case of event. Financial ratios have designed to show relationship between financial statement account (Brigham and Houston, 2009).

Ratio analysis is the process of determining and interpreting numerical relationship based on financial statements. It is the technique of interpretation of financial statements with the help of accounting ratios derived from the balance sheet and profit and loss account (Thukaram, 2006). Ratios are indicators; sometimes they serve as pointers but not in themselves powerful tools of management. The ratios help to summarize the large quantities of financial data and to make qualitative judgment about the firm's Ratio analysis can be viewed as a primary technique of the analysis of financial statement from various aspects of business. Financial ratio helps to outline a large volume of financial data into concise form. Therefore, it is easy to interpret and conclude the performance and financial position of the bank. Financial performance (Thukar Financial performance of a company, being one of the major characteristics, defines competitiveness, potentials of the business, economic interests of the company's management and reliability of present or future contractors. Therefore, financial performance analysis and identification of their weaknesses and strengths using financial performance indicators has its contribution to the management, shareholders, the public (customers of the bank), the regulator (the government), the financial sector and the economy as a whole. In a competitive financial market, bank performance provides signal to depositors and investors whether to withdraw or invest funds respectively from the bank. Similarly, it flashes direction to bank managers whether to improve its deposit service or loan service or both. Regulators are also interested in the financial health of banks for regulation purposes. The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Owners and managers require financial statements to make important business decisions that affect its continued operations. Financial analysis, which measure financial performance is performed on the financial statements to provide management with a more detailed understanding of the figures. Furthermore, the rationale of financial analysis is to diagnose the information contained in financial statement to judge the future earning, ability to pay interest, debt maturities, profitability and sound dividend policy.

1.1. Background of the organization

The commercial bank of Ethiopia was incorporated as share company on December16, 1963 proclamation number 207/1955 of October 1963 to take over the commercial banking activity of the former state bank of Ethiopia under this name. It began operations on January 1, 1964 with capital of Ethiopia 20,0000,0000 and served for about 46years. The bank was owned by the state. In addition, it was operated as an autonomous institution under the commercial code of Ethiopia. The commercial bank of Ethiopia share company and Addis bank had identical Objectives, power and duties. Hence, it was necessary to merge them, in order to eliminate the duplication of efforts and bring them under a centralized banking structure. Consequently, the present day commercial bank of Ethiopia was established under the proclamation number 184 of august 2, 1980. According to this proclamation, the main objectives of commercial bank are as follows: -

1. To extend commercial banking services throughout the country
2. To encourage the mobilization of saving by making the people aware of the use of banking
3. To extend credit facility and other banking activities to any person for specific purpose they are in need.
4. To spread widely banking habit among the society. (www.combanketh.com)

The commercial bank of Ethiopia is pioneer to introduce modern banking to the country. It is the first bank in Ethiopia to introduce ATM service for local users. Currently, Commercial bank of Ethiopia has more than 12 million account holders and it has more than 1170 es that have been stretched across the country up to May 2017.

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 es 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.

1.3. Research Questions

The major questions that would have answered by the study

1. Does the bank show a change in profitability, liquidity, leverage and market ratio throughout the year?
2. How does the profitability of the bank under the study period (2010 – 2014)?
3. Does the bank forecast future perspective based on its past performance?

1.4. Objective of the study

1.4.1. General objective

The general objective of the study is an assessment of the financial ratio analysis in Commercial Bank of Ethiopia.

1.4.2. Specific Objectives

- ✓ To know the profitability, liquidity, leverage and activity ratio of commercial bank of Ethiopia throughout the year
- ✓ To know the profitability of the bank under the period

- ✓ To know the future perspective 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.

1.5. Significance of the study

Ratio analysis is useful tool for rapid change in technology advancement, information system, competitive market environment and essential to know the bank's past performance and financial position. The ratio analysis compares its past performance by evaluating trend in banks financial performance over the passage of time. This study would give information for the concerned organs such as creditors, suppliers and borrowers. It would also help to make proper and sound decision.

1.6. Scope of the Study

The study (paper) is limited to an assessment financial performance of Commercial Bank of Ethiopia. Moreover, the final findings or results would have recommended to Commercial bank of Ethiopia in particular and all concerned bodies in general.

1.7. Limitation of the study

There is problem of easily getting data since there is no data server in the country besides shortage of time and financial constraint.

1.8. Organization of the Paper

The paper is organized as follows, Chapter one dealt with introduction, statement of the problem, objective of the study, significance of the study, delimitation, limitation of the study and organization of the paper were discussed. Chapter two dealt with the theoretical and empirical reviews related to financial performance of banks. Chapter three dealt with data description and data sources, methodology of the study, methods of data analysis whereas Chapter four deals with the data analysis and interpretation of result. Lastly, chapter five provides summary, conclusions and policy options recommendation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Theoretical Literature Review

Financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet, profit and loss account. Financial ratio can be taken by management of the firm or by the parties outside the owner and creditors. The nature of analysis will differ depending on the nature of the analyst. Creditors are interested in the firm ability to meet their claim over a short period of time. Suppliers of long-term debt, on the other hand, analysis concerned with the long term solvency and survival. They analyze the firm's profitability over time and its ability to generate cash to be able to pay interest and to repay principal.

Long-term creditors do analysis on the historical financial statement. But, they place more emphasis on the firm's project or performance of the financial statement to make analysis about solvency and profitability of institution.

Investors are who have invested their money in the firm's earnings. They store more confidence in those firms that show steady growth in earnings. They concentrate on the analysis of the firm earning ability and future ability.

Management; the firm will be interested in every aspect of the financial analysis. It is the overall responsibility to see that the researcher of the firms is used more effectively and efficiently and that the firm's financial condition is sound (IM PANDY, 2002)

Ratio analysis is the English word ''ratio" comes from Latin. The Latin word has many alternatives in English language among them are reason, ratio, rational relation. Ratio is defined normally as "the indicated quotient of two mathematical expressions.'' In addition, indeed, ratio can result from the division of one number into another number and as the relationship between two things. An operational definition of financial ratio is the relationship between values. The relationship implies that a financial ratio is the result of comparing mathematically two values. This numerical comparison is important for ratio use indexes. They are used to make quantitative judgment about the financial wealth of the bank and analysis of the firm by financial manager as well as interested external parties. To evaluate the bank's financial performance and conditions rapidly by making comparison of its financial performance ratio obtained from the bank. Financial ratio also represent ready comparison of financial performance and condition overtime as a way of identifying and evaluating performance trend. Ratio analysis requires considering judgment and direction by the analysts. It serves as future financial and operational decision. Rules of thumb and other mechanical interpretation produce disastrous decision thus who are ill-informed about the ambiguity information that may be continue ratios (Phillip R. Davies, 2009)

Users of financial ratio: - To evaluate the financial conditions and performance of the bank, the financial analyst uses a certain yardsticks. These yardsticks are frequently used in ratio or index relating two pieces of financial data to each other. Analysis and interpretation of various ratios should give experience to do skilled analysis. For better understanding of the financial condition and performance of the bank, that will obtain from the analysis of the financial alone. Financial ratio helps to site up the bank as to trend and relative to others (Van Horne, 2002).

Standard of comparison: - The ratio analysis involves comparison for the useful interpretation of the financial statements. Single ratio itself does not indicate favorable or unfavorable condition. Past ratios, those ratios are calculated from the past financial statement of the same firm. Competitors' ratio; that is ratio of the same selected firms especially the most progressive and successfully competitors at the same point of time.

Industry ratios are ratios of the industry to which the firm belong and projected ratios developed using the project or perform financial statement of the same firm(IM PANDY, 2002)

Financial ratio classification: - Financial ratios are most frequently and widely used in practice to assess firms' financial performance and condition. The focus of this study is mostly on ascertaining the predictive power of financial ratio, which is investigating in the following areas. Some writer have contented there are as many as 429 business ratio. However, these entire ratios need not be calculated for a particular study. On the bases of the nature of business concerns the circumstances in which it is operating and the particular question to be answered from the ratio analysis, certain ratios should only selected. Every attempt should be made to keep the number of ratios as far as possible to the minimum. This avoids possible confusion in the interpretation of the ratio (IM Pandey, 2002).

1. Financial ratio may be classified in various ways on the basis of their importance the ratio may be classified as follows: -
   a. Primary ratio
   b. Secondary ratios

Operating profit before inter and taxes to operating capital employed are usually described as the primary ratio. Under this category, the various related ratios are those of operating profit to value of production, cost of production to value of production, net sales to capital employed. The following ratio is usually included in the secondary ratios categories; the ratio of direct material cost to value of production; direct material per factory employee, output or work per factory employee, Goods for sales per factory employees.

2. On the basis of source that is the financial management from which item are taken to calculate ratios may be classified into: Balance Sheet ratios, income statement ratios and combined ratios. Balance sheet ratios are the ratios which express the relationship between items which are both taken from the Balance Sheet. The current assets to current liabilities (called "Quick Ratio"), debt-equity ratio etc… may be cited an examples. Income statement ratios are the ratios, which deal with the relationship between items of the profit and loss account .Examples of thus ratios are gross profit to sales, net profit to sale, operating ratios. Combined ratios are the ratios which express the relationship between two figures one of which is drawn from the balance sheet and the other from income statement. Its examples are activity ratio or turn over ratios, Return on capital employed, Return on shareholders' equity.
3. Based on nature of items the relationship of which are explained by ratio, the ratios may also be classified as financial ratios and operating ratios. Financial ratios deal with nonoperational item, which are financial in character. Its examples are current ratio, quick ratio, equity debt ratio. The operating ratios explain the relationship between items of operation of the firm. Its examples are turnover or activity ratios, earning ratios expanses ratios.
4. The most important and commonly adopted classification of ratios is on the basis of the purpose or function, which the ratios are expected to perform. Such ratios are also called fictional ratios. They include solvency ratios, liquidity ratios, activity ratios and profitability ratio.

Liquidity ratio is the ability of a firm to meet its current or short-term obligations when they become due. Every firm should maintain adequate liquidity. Liquidity is also known as shorter solvency of the firm. The short term creditors of the firm are interested in the short term solvency or liquidity of the firm. The liquidity position is better known with the help of cash budget and cash flow statement. However, liquidity ratio also provides a quick measure of the liquidity of the firm. The liquidity ratio or short-term solvency ratio established a relationship between cash and current asset to current liability.

A bank's liquidity should neither to be too low nor high but should be adequate. Low liquidity implies the bank's inability to meet its obligations. This will result in bad credit rating loss of creditor's confidence or in technical insolvency ultimately resulting in closure of the firm. A very liquidity position is also bad; it means the firm current asset is too large in proportion to maturity obligations. It is obvious that idle asset earn nothing to the firm and in situation of high liquidity, the firm's fund will be unnecessary tied up in current asset, if released, can be used to generate profit to the bank. Therefore, every firm should strike a balance between liquidity and lack of liquidity. The ratios which measure and indicate the extend of liquidity of the firm and know as liquidity ratio or short term solvency ratios. They include current ratio, quick ratio or acidic test ratio, and cash position ratio (IM pander 2002)

Activity ratios: - The finance obtained by a firm from its owners and creditors shall be invested in asset. This asset is used by to generate sales and profit. The amount of sales generated and the obtaining of the profit depends on the efficient management of these assets by the firm. Activity ratio indicates the efficiency with which the firm manages and used its assets. That is why these activity ratios are also known as efficiency ratios. They are also called turn over ratios, Because, they indicate the speed with which asset are being converted or turn over into sales.

This the activity or turnover ratio measures the relationship between sales on one side and various asset on the other. The underlying assumption here is that there exist on appropriate balance between sales and different assets. A proper balance between sales and different assets Generally indicates the efficient management and uses of the assets. Many activity ratios can be calculated to know the efficiency of asset utilization. Total assets turnover ratios, capital employed turnover, fixed assets turnover ratios are an example of activity ratios.

Profitability ratios are a very firm should earn adequate profit in order to survive in the immediate present and grow over a long period. In fact, the profit is what makes this business firm run. It is described as the magic eye that mirrors all aspects of the business operations of the firm. Profit is also as a primary and final objective of the business enterprise. It is also an indicator of the firm efficiency of operations.

There are different person interested in knowing the profit of the firm. The management of the firm regards profit as an indication of efficiency and as a measure of the worth of their investment in the business. To the creditor profit are a measure of the margin of safety. Employees look at profit as a source of fringe benefit. To the government they act as a measure of the firm tax paying ability and a basis for legislative action. To the customers they are a hint for demanding price cut. The firms constitute a less cumbersome and low cost source of finance for existence and growth. Finally, to the country profits are an index of the economic progress, the national income generated and the rise in the standard of the living of the people. Profitability in related to sales, gross profit margin or gross profit to sales, gross operating margin, net operating margin and net profit margin or net profit to sales are an example of profitability ratio.

Leverage ratio is the process of magnifying the shareholders return through the use of debt is called financial leverage, financial gearing or trading equity. To judge the long term financial position of the bank's financial leverage or capital structure ratios are calculated the long-term solvency of the firm can be examined with the help of the leverage or capital structure ratios. These ratios indicate the fund provide by owner and creditors. Generally, there should be an appropriate mix of debtor and owner's equity in financing in firm's asset.

Importance of ratio analysis

Ratio analysis is an important and useful technique to check up on the efficiency of an organization. The management can arrive at an important decision by using ratio analysis. The ratio is used for expressing the mutual relation to different accounts. In fact, any given data in the financial data are not important in itself. To make its real importance clear, it is to be expressed in referring to other figures. With the help of ratio analysis, the big figure or group can be made short and simple. From these the business activities are made possible to analyze systematically. Generally, the ratio analysis has the following importance: -

1. Helpful in accessing operating efficiency of the business
2. The ratio can be used as the measuring role of efficiency. With the help of this, the evaluation of change during different periods can be performed. In this way the comparative efficiency of company can be informed
3. Helpful in measuring financial solvency
4. Ratios are useful tools for evaluating the liquidity and solvency position of a company.
5. They point out the liquidity position of an organization to meet its short term and long-term obligation.
6. Useful in future forecasting
7. Ratio analysis is a very helpful in financial forecasting and planning. The ratio calculation of past year works guide for the future.
8. Helpful in decision making
9. Ratio analysis is also very helpful for decision-making. The information provided by ratio analysis is very useful for making decision on any financial activities.
10. Helpful in corrective action
11. Ratio analysis can also point out the deficiency of the business so that corrective steps may be taken accordingly.
12. Helpful in comparing inter-firm performance
13. Due to inter-firm comparison, ratio analysis also serves as a stepping-stone to remedial measure. It helps management involving future market strategy
14. Helpful in communication
15. Ratio is an effective means of communication. Different financial ratios communicate the strength and the financial standing of the firm to the internal and external parts.
16. Helpful in cost control
17. From the use of ratio it is possible to control different costs of the

Limitation of ratio analysis

The ratio analysis contributed a lot to portray the financial position of a business. However, they suffer from various limitations

- ✓ Limited use of single ratio

- ✓ A single ratio in itself is not important. It will not be able to convey anything. For making a meaningful conclusion, a number of ratios which make confusion to analyst is to be calculated
- ✓ Difficult to interpret
- ✓ It is a very difficult task to fix an adequate standard for comparison purpose There are no rules of thumb for all ratios which can be accept as a norm. It rendered interpretation of the ratio difficult.
- ✓ Ignored qualitative factor
- ✓ Ratio analysis is related to the quantities analysis but not with a qualitative analysis because it is ignored by ratio analysis
- ✓ Limitation of accounting recorded
- ✓ Ratio analysis is related to financial statement .financial statement itself is subject to limitation. This ratio analysis also suffer from the inherent weakness of the financial statement wrong conclusion
- ✓ The analyst or the user must have knowledge about the concern whose statements have been used for (internet, google.com) Personal bias. Ratio have to interpreted and different people may interpreted the same ratio indifferent ways . Ratio are means to achieve a particular and but not an end itself .it totally depend upon the user as what conclusion draw on the bias of ratio analysis.

2.2. Empirical Literature Review

2.2.1. The Banking System of Commercial Banking in Ethiopia

As banks have very different operating structure than regular industrial companies, it stands to reason that investors are a different set of fundamental factors to consider, when evaluating banks. this is not meant as an exhaustive or complete list of the financial details an investor need to consider ,when contemplating. loan growth is an important as revenue growth to most industrial companies. The trouble with loan growth is that it is very difficult for an outside investor to evaluate the quality of the borrowers that the banking is serving .above average loan growth can mean that the bank has targeted attractive new market or has a low cost capital base that allows it to change less for it loan. On the other hand above average loan growth can also mean that a bank is pricing its money more cheaply, losing its credit standards or somehow encouraging borrowers to move over there business (by Stephen D.Simpson)

Deposit growth as previously discussed deposit are the most common, and almost always the cheapest source of loadable fund for banks. Accordingly deposit growth give investor a sense of how much lending a bank can do .there are some important factors to consider with this number. First, the cost of this fund is important as a bank to grow its deposit by offering more generous rate. It is not in the same comparative positions as a bank that can produce the same deposit growth at lower rate also deposit grows has to be analyzed in the context of loan growth and the bank management plan for loan growth . Accumulating deposit, particularly at higher rate, is actually bad for earning if the cannot profitability deploy those funds.

Loan /deposit ratio would help to assess bank liquidity by extension, the aggressiveness of the banks management. If the loan /deposit ratio is too high, the bank should be vulnerable to any sudden adverse change in its deposit bases. Conversely, if loan /deposit ratio is too low, the bank is holding on to unproductive capital and earning less than it should.

Efficiency ratio is essentially equivalent to regular companies operating margin, in that it measures how much the bank pays on operating expense, like marketing and salaries.

Capital ratios are a host of ratios that banks regulators and investors use to assess how risk a bank's balance sheet is, and the degree to which the bank is vulnerable to unexpected increase in bad loans. Capital ratio takes banks equity capital and disclosed reserves and divides it by the banks risk weighted assets whose value is reduced by certain statutory amount based up on its perceived riskiness.

The capital adequacy ratio is sum of tier one and tier two capital, dividend by the sum of risk weighted asset. The tangible equity ratio takes the banks equity, subtract tangible asset goodwill and preferred stock equity and then dividend it by the bank's tangible asset. Although not an especially popular ratio prior to the credit crises, capital ratio can be through proxies for banks margin of error. Now days, capital ratio also play targeted role in determining whether the regulators will sign off on acquisition and dividend payment.

Return on equity/Return on asset are well-established metrics long used in fundamental analysis across the wide range of industries. Return on equity is especially useful in the valuation of bank, as traditional cash follow modeless can be very difficult to construct for financial companies, and return on equity modules can over similar information.

Credit quality ratio is somewhat self-explanatory. If the banks credit quality is in decline because of nonperforming loan and asset or change offs increases the banks earning and capital may be at a risk. A no performing loaned is a loaned where payment of interest or principal is overdue by 90 days or more and it is typically presented as a percentage of outstanding loans. Net charge offs represent the difference in lone that are written off as unlikely to be recovered in previously written loans. If overall cost and inflation are increasing then it should be see corresponding increase in sales. If not, then may need to adjust prizing policy to keep up with costs.

The nature and risk of each revenue source should be analyzed. It is recuing the market share growing, is there a long-term relationship or contact, is there a risk that certain grants or contacts will not renewed, is their adequate diversity of revenue sources. Organizations can use this indicator to determine long and short-term trends in line with strategic funding goals for example move towards self-sufficiency and decreasing reliance on external funding.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Data Sources

In this study, both primary and secondary data would be used to conduct this research. The researcher believed that secondary source has greater and paramount role for the study since the information related to the study would be obtained directly from the bank's annual report and primary source of data was collected from the employees is required to give supplementary information with regard to variables of the study. The primary data source would give information on financial performance of Commercial Bank of Ethiopia.

3.2. Target Population

The study tried to assess the financial performance of Commercial Bank of Ethiopia. To attain this objective of the study, the researcher has used both primary and secondary data. The data used in this study is predominantly from secondary source. However, the researcher has used primary data to support secondary data analysis. Out of total 80 employees of Finance Department of CBE, the researcher has taken 24 employees as a sample size to judge about total population, which is 30% of total populations.

3.3. Tools and method of data collection

The source of data for this study will be predominantly from secondary sources. However, the data need for this study will gather from both Secondary and primary sources. The audited annual financial reports for Commercial Bank of Ethiopia during the year 2011 to 2016 E.C. w would have used as a source of secondary data in order to compare and evaluate the financial performance of commercial against the industry average. Help of other sources like those that literature from various books, journals, newspapers, reports of the commercial bank of Ethiopia and various websites, would also have used as a source of secondary data. Secondary data would be collect through personal review of the above listed sources and types of data. Furthermore, in order to support the secondary data for clarification would be required finance department of the bank was communicate through questionnaire. Judgmental sampling would have used to select the interviewees. This judgmental sampling would have taken based on who provide the best information for the purpose of this study

3.4 SAMPLING TECHNIQUES

It is obvious that involving all population in the study would make the study difficult to manage and ensure its reliability. So, in order to precise the study, the researcher would have used non-probability sampling techniques that will be judgmental technique. The rational to use this technique allow the researcher to choose those employees who has enough knowledge and experience on financial ratio analysis of the Commercial Bank of Ethiopia. This is because the method gives equal chance for all respondents and they are homogenous. The method employed would enable the researcher to generalize about the financial performance of the bank.

3.5 METHODS OF DATA ANALYSIS AND INTERPRETATION

Having completed the process of data collection from both 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 computed 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.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF THE STUDY

This chapter has concerned with data analysis and presentation that has been collected through primary and secondary source of data. The main purpose of this chapter is to analyze data taken from Annual report of CBE for secondary data and collected through questionnaires for primary data. The primary data would have collected from CBE, Finance Department employees. This study mainly concerned with the assessment of financial ratio analysis

In general, as clearly indicated in the study, the collected data by using questionnaires were analyzed through qualitative and quantitative research method of data analysis with the support of tabulation and percentage were selected in the preceding section of this chapter

4.1 Personal profile of the respondent

In this part of the research paper, the researcher wants to analyze the personal information of respondents (employees of commercial bank of Ethiopia Finance Department).

4.1.1 Gender

Table 4.1: Gender distribution of the respondent

Sex	Number of respondent	Percentage
Male	14	58.3
Female	10	41.7
Total	24	100

Source: Survey questionnaires, 2017

These tables show that majority of the respondent is male this refers higher level or male are participated in the respondent.

4.1.2 Marital status

Table 4.2: Marital status of the respondent

Marital status	Number of respondent	percentage
Single	13	54.17
Married	10	41.66
Separated		
Widowed	1	4.17
Total	24	100%

Sources: Survey question, 2017

4.1.3 Age

Table 4.3: Age of the respondent

Age	Number of the respondent	Percentage
Below 22		
22-3o	15	62.50
31-45	5	20.83
46 and above	4	16.67
Total	24	100%

Source: Survey question 2017

4.1.4. Educational status

Table 4.4: Education level of the respondent

Educational level	Number of the respondent	Percentage
Diploma		
Degree	18	75
Master	6	25
Other		
Total	24	100

Source: Survey question 2017

Based on educational level majority of the respondent BA degree holder, which is 75 % that shows majority employees in commercial bank of Finance Department are degree and 25% are master holder in educational qualification. The table shows that there is no diploma and other that indicate the educational level of employees of commercial bank of Ethiopia Finance Department.

4.1.5. Religious affection

Table 4.5: Religious affection of the respondent

Religious affection	Number of respondent	Percentage
Orthodox	9	37.50
Muslim	7	29.17
Protestant	8	33.33
Other		
Total	24	100%

Source: Survey question 2017

As indicated on the above table majority of the respondents are orthodox 37.5%, Protestants are 33.33% and 29.17% are Muslims.

4.2. Analysis of Financial ratio

In this part, the researcher wants to analyze the general information about financial ratio analysis of commercial bank of Ethiopia in Finance Department.

4.2.1 The change of the bank in its profitability

As the data collected from the respondent shows that, the change has crucial for profitability of the bank.

Table 4.6: The change of the bank in its profitability

Do you think the bank shows change in its profitability	Frequency	percentage
Yes	24	
No		
Total	24	100%

Source: Survey question 2017

As shown in above table 100% of the respondents agree that the bank shows a change in profitability. Hence, we can conclude that the total respondents have strongly agreed that the bank shows a change in its profitability.

The bank can change its profitability from time to time by providing different means service delivery system with quality service by creating awareness for his customer and attract different customer to the organization, seeks deposit from customers, and invest it since Finance Department has the best business center of the town. To borrow and return as per requested time or agreement between the bank and the borrower; hence, this leads to increase the ability of the bank to borrower in response the customer return it on time and then there should be good relationship between customer and bank that leads to increase liquidity, leverage and market relationship throughout the year.

4.2.2 Problems in its performance

In analysis financial ratio, the bank activities are extremely important, but some problems are there. When there is no customer, there is no foreign exchange in the bank, and imbalance between the target granted and performance of the bank and market environment stiff competition between the bank and private banks.

In faced some problems like network system for setting new technology, electricity and disparity of customers to other no governmental (private) banks.

4.2.3 The future prospect of the bank based on past performance

The bank can forecast its feature based on past performance to become high apex in financial position and other to be world class commercial and computing with other banks in the world.

Table 4.7: the feature prospect of the bank based on past performance

Does the bank show feature prospect based on its past performance?	frequency	Percentage
Yes	24	100
NO		
Total	24	100

Source: Survey question 2017

This table shows that 24 respondents said the bank of commercial bank of Ethiopia Finance Department as shows future prospect by using new technology, equipment and specialized human resource.

4.2.4. The relationship between liquidity, leverage and ratio in performance of the bank

Table 4.8: relationship between liquidity, leverage and activity ratio

Do you think there is a relationship between liquidity, leverage and activity ratio	Frequency	Percentage
Yes	24	100
No		
Total	100	100

Source: Survey question 2017

The above table shows that 100% have a positive relationship in the organization. Therefore, each of them can use in the organization as the same time for its operation. The bank target is customer satisfaction on loan of domestic and foreign export and import, large investors, on road, hydroelectric power, irrigation agriculture, whole seller and there risk.

4.3. Ratio Analysis by using secondary data

As clearly stated secondary data was taken from annual report CBE can be analyzed through qualitative and quantitative research method of data analysis by using different the financial ratios, which have selected from the annual report to evaluate the financial performance of commercial bank Ethiopia. In this paper, the following ratios were discussed so far

1. Liquidity Ratio
2. Activity Ratio
3. Leverage ratio
4. Profitability Ratio

In this study, five years (2010-2014) financial position and performance of the organization is compared and evaluated by using different ratio analysis. The summarized balance sheet and income statement has presented as follows:

1. Liquidity ratio Liquidity ratio indicates relationship between the current asset and current liabilities, or it is a group of ratios that allows one to assess the firm's ability to pay of short-term obligation (MI PANDI, 2002). The higher the liquidity ratio, the higher the capacity pays off companies' short-term obligation and vice versa. However, extreme accumulation of current asset (very high liquidity ratio) realigning losing of the company's profit, because funds are tied

up in current asset, which one unproductive is not involved in generating of income. Even if there are varies classifications of ratios, prominent focus is given for current ratio and quick ratio.

4.4. Current ratio of commercial bank of Ethiopia

The current ratio has calculated by dividing current assets expected to be converted in to cash in the near feature to retain current liabilities of the firm to pay its current obligation without raising the current asset borrowing and issuing additional shares selling of fixed assets. To compute current ratio, the formula for current ratio has presented as follows: -

$$\text{Current Ratio} = \frac{\text{Total Current Asset}}{\text{Total Current Liability}}$$

In order to know the current ratio, look the following table

Table 4.9: Analysis of current ratio during 2010/11-2014/15

Year	Total current asset	Total current liabilities	
2010	3,683,068,754	3,341,309,875	1.10
2011	4,783,061,527	4,300,530,344	1.11
2012	7,132,572,134	6,371,267,357	1.12
2013	11,089,440,859	9,752,944,310	1.14
2014	9,022,989,378	8,063,640,435	1.12

Source on computation based on secondary data annual report of commercial bank of Ethiopia

In all of commercial bank of Ethiopia was higher than 1.10 birr for each one-birr current liability. The implicating of above computed current ratio results in the commercial bank holds sufficient liquidity assets to matured current liability obligation.

This ratio does not indicated the banks weakens rather than strength because, funds should not be tied for operation having in mind the need for maintaining of current asset for fulfillment of obligation. There for the bank has the ability to meet its short-term obligation.

4.5. Quick or acid test ratio of Commercial Bank of Ethiopia

The quick ratio or acid ratio is precise measure of liquidity than the current ratio. Inventories, which are tilts liquid of current asset has excluded from the ratio. The acid test named because, it shows the ability of a firm to meet its current obligation. The formulas for computing the quick ratio has presented as follows: -

$$\text{Quick Ratio} = \frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liability}}$$

The presentation analysis for quick or acid test ratio is similar to that of the current ratio which explained previously. Since the bank has not inventory, ever figure used in the calculation and explanation in the same, so that is not to present here because, in the absence of inventory

$$Current\ Ratio = Quick\ Ratio$$

4.6. Activity ratio of commercial bank of Ethiopia

According to impend,(2002) activity ratio is the ratio help to know how effectively the firm is managing its asset. A set of ratios are calculated to asset the firm effectiveness in this part current asset, fixed asset and total asset turnover ratio have used to evaluate commercial banks operating efficiency.

4.7. Current asset turnover of Commercial Bank of Ethiopia

This should the amount of current asset that commercial bank used to generate income. The company has to ability to have high income of on current asset. These types of assets comprise the largest amount of asset section, current asset turnover can be calculated as: -

$$\text{Current Asset Turnover} = \frac{Total\ Operating\ Income}{Current\ Asset}$$

Table 4.10: Analysis of current asset turnover during 2010/11-2013/14

Year	Total operating income	Total current asset	Current asset turnover
2010	283,993,920	3,683,068,754	0.077
2011	382,103,369	4,783,061,527	0.080
2012	215,468,338	7,132,172,134	0.100
2013	927,549,687	11,089,440,854	0.084
2014	686,706,099	9,022,986,375	0.076

Source owns competition based on annual report of commercial bank of Ethiopia

Current asset turnover has been increased steadily over paradise 2010 -2014. 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 five employees that commercial bank generate an income of birr 0.077, 0.080, 0.100, 0.084, 0.076 for the year 2010- 2014 respectively for 1 birr investment in current asset

4.8. Fixed asset turnover of commercial bank of Ethiopia

This ratio intended to measure the extent to which the bank is used properly, Plant and equipment to generate income. The general formula fixed asset turn over shown as follows:-

$$\text{Total Fixed Asset Turnover} = \frac{Total\ Operating\ Income}{Fixed\ Asset}$$

Table 4.11: analysis of fixed asset turnover during 2010/11- 2013/14

Year	Total operating income	Fixed asset	Fixed asset turn over
2010	283,993,520	63,389,359	4.45
2011	382,103,369	93,192,385	4.10
2012	715,466,338	147,166,745	4.86
2013	927,549,687	83,192,385	11.15
2014	686,706,099	227,119,664	3.303

Source: on competition based on annual report of commercial bank of Ethiopia.

As shown in the above data, the bank ability in using its existing properly, plant and equipment to generate income in the last five years when present as follow. Commercial bank generating income of 4.45, 4.10, 4.86, 11.15 and3.30 3 for 1 birr investment in fixed asset in the year of 2010—2014 respectively

The trend efficiency of the bank the last years can be shown in the following graph for more understanding. As shown in the above figure the fixed asset turnover ratio increase continuously from 2010/11-2013/14, this reflects the development of operating and high purchase of fixed asset on the previous years. The bank average is 5.5 mean the bank is not good in using its fixed asset to generate income.

4.9. Total asset turnover of commercial bank of Ethiopia

This describes how effectively the firm is using its assets to generate income. In this case, to look at the banks total asset investment the total asset turnover computed as follows

$$\text{Total Asset Turnover} = \frac{Total\ Operating\ Income}{Total\ Asset}$$

$Total\ Asset = Current\ Asset + Fixed\ Asset$

Table 4.12: analysis of total asset turnover during 2010/11-2013/14

Year	Total operating income	Total asset	Total asset turnover
1010	283,993,520	3,746,908,113	0.076
1011	382,103,369	4,876,253,912	0.078
20112	715,468,338	2,279,733,883	0.089
2013	927,549,687	11,172,663,244	0.083
2014	686,706,099	9,250,106,039	0.074

Sources: down competition based on annual report of commercial bank of Ethiopia

Interpretation: commercial bank generate on income of 0.076, 0.078, 0.089, 0.083 and 0.074 for the year from2010-2014 respectively. As shown in the above graph, the total asset turnover ratio of the bank have been increasing from 2010/11-2013/14 and decrease from 2012/14

4.10. Leverage ratio of commercial bank of Ethiopia

The long-term credit like debenture holders, financial institutions are more concerned with the firms' long-term financial strength. To judge the long-term financial position of the firm, financial leverage is capital structure ratio as calculated. These ratios indicated that mix of funds provided by owners and lenders.

4.11. Debt ratio of commercial bank of Ethiopia

Debt total asset ratio (debt ratio) indicates the abilities of the bank to meet its liability with its total asset. It measure the proportion of total asset acquired with borrowed money debt ratio .It calculated as follows;

$$\text{Debt Ratio} = \frac{Total\ Debt}{Total\ Asset}$$

Table 4.13: Analysis of debt ratio during 2010/11 -2013/14

Year	Total debit	Total asset	Debit ratio
2010	3,341,309,875	3,346,908,113	0.89
2011	4,300,530,344	4,876,253,912	0.88
2012	6,371,267,351	2,279,733,883	0,88
2013	9,752,944,310	11,172,633,244	0.87
2014	8,063,640,435	9,250,106,039	0.87

Source owns computation based on annual report of commercial bank as introduce in the above table. The commercial bank debt ratio is 0.89, 0.88, 0.88, 0.87 and 0.87 in year 2010-2014 respective. This implies that the creditors have financed more than half of the firm's total financing. The bank averages 0.88 shows the highest it figure relatively. It means it is not good in financing or much of the financing is debit.4.6.2 Debit equity ratio of commercial bank of Ethiopia.

Debit equity is the ratio of total debit in the bank both long term and short term. Where equity is the sum of common stock, preferred stock or capital reserve (net worth) it asses the relative capital contribution of creditors and stockholders debit equity ratio is calculated as follows.

$$\text{Debit Equity Ratio} = \frac{Total\ Debit}{Total\ Equity}$$

Table 4.14: Analysis of debit equity ratio during 2010/11-2013/14

Year	Total debit	Total equity	Debit equity ratio
2010	3,341,309,875	341,758,879	9.8
2011	4,300,530,344	482,531,183	8.9
2012	6,371, 267,351	761,304,777	8.4
2013	9,752,944,310	1,336,496,549	7.3
2014	8,063,640,435	959,348,943	8.4

Source: owns computation based on annual report of commercial bank

4.12. Profitability ratio of commercial bank of Ethiopia

Profit is the difference between revenue and expense over a period. Profit is the ultimate measure of financial performance of a bank. These ratios would have calculated to measure the operating efficiency. It means these ratios measure management's ability to control expense and income.

4.13. 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 0f 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

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

Table 4.15: Analysis of debt equity ratio during 2010/11 -2013/14

Year	Net income	Equity	ROE
2010	95,166,061	341,758,879	0.28
2011	116,641,110	8,331507	1.40
2013	213,846,045	761,304,777	0.28
2014	360,629,582	1,336,496,549	0.27
2015	247,557,864	959,348,943	0.26

Source; owns computation based on annual report of commercial bank

Return on equity index of commercial bank was at its minimum at 2015 which was 0.26 but in the year 2011 is rich maximum that is 1.40, this ratio indicate how well the firm has used the source of owners. Generally, the bank is not good in using its equity.

4.14. Basic earning power ratio (BEPR) of commercial bank of Ethiopia

Basic earning power ratio indicates to ability of DB to generate income before tax and leverage. It is calculated by dividing earnings before interest and tax to total asset of the bank.

$$\text{BEPR} = \frac{EBI}{Total\ Asset}$$

Table 4.16: Basic earning power ratio (BEPR) of commercial bank of Ethiopia

Year	Net income	Net asset	BEPR
2010	188,597,	3,746,908,113	0.0005
2011	264,008,176	4,876,253,922	0.054
2012	283,128,015	7,279,733,883	0.039
2013	715,542,692	11,172,633,244	0.064
2014	505,759,349	9,250,106,039	0.055

Source: own computation based on annual report of the commercial bank of Ethiopia.

The banks BEPR were 0.05% and 5.5% for two years 2010-2014 respectively. This is total asset power in generalizing annual report in the percentage. In the bank average is 4.2% this means the bank is not good position in its earning power

4.15. Dividend per share (DPS) commercial bank of Ethiopia

The net profit after tax belongs to the shareholders. However, it come to which say really relieve is the amount of earning distribution as cash dividend .Therefore a large number of percentage and potential investors may be interested in to BPS. Distribution to ordinary shareholders dividend by the number of ordinary shares of the outstanding

$$\text{DPS} = \frac{Dividend}{Number\ of\ ordiary\ share\ out\ standing}$$

Table 4.17: Analysis of BPS during 2010-1014

Year	Earning laid to share holders	Number of ordinary out standing	DPS
2010	32,935,518	300,000	109,785
2011	68,176,184	500,000	136,352
2012	90,236,082	1,500,000	60.157
2013	1,679,065,729	1,635,700	102,442
2014	145,127,956	1,707,000	85,019

Source; owns computation based annual report of commercial bank

Bank distribution per share as dividend highly decrease from 2010 and 2013 the increment of BPS is due the number of share standing increasing by the increasing rate than the dividend paid to the shareholders increased by increasing rate, which make the dividend per share

4.16. Dividend payment ratio of Commercial bank of Ethiopia

The dividend payment ratio is dividend per share divided by the earning per share.

Dividend Payment $= Dividend\ per\ share\ ernings\ per\ share$

Table 4.18: Analysis of dividend payment ratio during 2010-2014

Year	Earning laid to share holders	Number of ordinary share standing	DPS
2010	109,785	529	0.21
2011	136,352	526	0.26
2012	60,1557	558	0.11
2013	102,142	560	0.18
2014	850 019	493	0.17

As Shown in the above table the dividend payout ratio increase and decrease until 2010 -2011 and2012 2013 1014 respectively. This is due to the fluctuation of income and on increasing the number of shareholders. So that it was slightly decrease at last period for the last five years all the bank total income, expenses and deposit were increase. This is reselection of the banks strong performance in its accurate. Furthermore, the financial statement are assessed and analyzed through ratio analysis. The result of the ratios the bank improved performance over the last five years.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

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 2011-2014 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 greater than 1.1 birr. This indicates that the bank hold more 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 0.077, 0.080, 0.100, 0.084 and 0.06 birr for the last consecutive five years from 2011-2014. 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 2010-2011. Moreover, the total asset turnover revealed that inefficiency of management in proper qualitative judgments in generating income given total asset.

- ✓ The bank have high leverage because, more than half of its capital is proved creditors and the bank debt ratio is 0.89, 0.88 0.88 0.87 and 0.87 for the last consecutive five years for the period under study.
- ✓ The bank has lower return on asset 7.6% 7.8% 9.8% 8.3% and 7.4% for the last consecutive 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 28% 14% 28% 27% and 26%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. So, management of the bank should maintain its liquidity position by using different alternatives like sell of stock & bond and also by improving its current asset turnover.

APPENDIX
JIMMA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING & FINANCE

The following questionnaire is designed by a researcher to collect data from the employees of Commercial Bank of Ethiopia. The purpose of this questionnaire is to gather relevant information regarding financial performance of Commercial Bank of Ethiopia; the researcher will use this data for academic purpose only. Follow the following instructions to answer.

- Put a mark (✓) in the box provided for the response.
- Write on the blank space given where necessary

Section 1: Demographic feature

1. Gender

   Female ☐

   Male ☐

2. Marital Status

   Single ☐ Separated ☐ Divorced ☐

   Married ☐ widowed ☐

3. Age

   Below 22 ☐ 22-30 ☐

   31-45 ☐ 46 and above ☐

4. Educational level

   Diploma ☐ Degree ☐

   Masters ☐ Others ☐

5. Religion affection

   Orthodox ☐ Muslims ☐

   Protestant ☐ Others ☐

Section 2: General questions

1. Do you think the bank shows change in its profitability?

   Yes ☐

   No ☐

2. If your answer for questions number one above is yes, what are your explanations?

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

   …………………………

3. Is the bank trying show change on its liquidity, leverage and market relationship through the year?

   Yes ☐

   No ☐

5. If your response is yes, please try to justify it how changed through the year?

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

   …………………………

6. Does the bank faced a problem in its financial performance

   Yes ☐

   No ☐

7. If your answer for number six is yes, please list the problem that faced in the bank's financial performance.

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

   ……………………………

8. Does the bank show future prospect, based on its past performance?

   Yes ☐

   No ☐

9. If your answer is yes for question number eight above, please list future prospect of the bank based on its past performance.

   ……………………………………………………………………………………………

   ……………………………………………………………………………………………

10. If your answer for number nine is no, what are the reasons to show the future performance based on its past performance?

………………………………………………………………………………………………
………………………………………………………………………………………………
…………………………

11. Do you think there is relationship among liquidity, leverage and activity ratio in the performance of the bank?

Yes ☐

No ☐

12. If your answer is yes for question number 11, what kind of relationships is existing between those ratios?

Positive ☐

Negative ☐

13. If your answer is positive, write positive relationships of these relations

…………………………………………………………………………………………………
…………………………………………………………………………………………………
………………………………

14. If your answer is negative, write the negative relationship exists these relations

………………………………………………………………………………………………
………………………………………………………………………………………………
………………………………………………………………………………………………

Section 3: Interviews

Interview questions to financial ratio analysis on commercial bank of Ethiopia

1. Does your bank have financial ratio policy?
2. What type of financial ratio doe the bank proved?
3. What are the requirements financial ratio had to fulfill to get profit?
4. Is there any remaining amount of financial ratio, if the organization fails to gather profit?

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