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## Profitability Analysis of NIC Asia Bank Limited

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### Abstract

*The profitability analysis of NIC Asia Bank Limited evaluates its financial performance, focusing on its ability to generate profits relative to costs and expenses. Key metrics such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, Gross Profit Margin, Earnings Per Share (EPS), and Price Earnings Ratio highlight the bank's efficiency in converting resources into earnings. The analysis reveals that effective cost management, operational efficiency, and non-interest income significantly contribute to profitability. External factors, such as market competition, regulatory changes, and macroeconomic conditions, also influence performance. Major findings indicate that NIC Asia's emphasis on digital banking expansion, customer service enhancement, and branch optimization has improved its profitability. However, challenges such as interest rate fluctuations and credit risks persist, requiring strategic interventions. The study underscores the bank's financial health, sustainability, and long-term profitability potential.*

**Keywords:** Profitability, NIC Asia Bank, ROA, ROE, Efficiency, Sustainability

### Introduction

Profitability refers to a company's ability to generate profits from its operations over a specific period of time. It is a key indicator of a business's financial health, operational efficiency, and long-term sustainability (Smith & Jones,

2020). Profitability can be measured using various financial metrics, such as net profit margin, return on assets (ROA), return on equity (ROE), and operating profit margin. These metrics help assess a company's capacity to generate returns for shareholders, sustain growth, and maintain a competitive advantage (Johnson, 2018). For businesses, profitability is not just about generating high revenues but also about efficiently managing expenses, optimizing operational performance, and adapting to market conditions (Brown & Taylor, 2019).

In the context of broader economic dynamics, profitability plays a critical role in a company's ability to invest in future growth, weather financial challenges, and contribute to overall economic stability (Green & Brown, 2021). This is especially important in industries such as banking, where external factors like economic conditions, regulatory frameworks, and market competition can significantly impact profitability. In Nepal, where the banking sector is growing rapidly, the ability to maintain profitability amid fluctuating interest rates and credit risks becomes even more crucial (Sharma, 2022).

Understanding key profitability indicators such as net profit margin, return on assets (ROA), return on equity (ROE), and gross profit margin is essential for banks seeking to optimize their performance and sustain long-term success (Harris & Liu, 2021). The banking sector in Nepal has witnessed significant changes, including an increase in competition, evolving regulatory frameworks, and changes in consumer preferences. As such, it is imperative to conduct a profitability analysis to gauge how well financial institutions are navigating these challenges and whether they can continue generating sustainable profits (Khan, 2020).

NIC Asia Bank, one of the leading private sector banks in Nepal, offers a wide range of banking services and products. Established in 1998, the bank has expanded significantly, driven by strategic initiatives and technological advancements (Thapa & Shrestha, 2022). The bank's financial health is influenced by various internal and external factors, including economic conditions, regulatory changes, competition, and operational efficiency (Nepal Rastra Bank, 2021). Given the dynamic nature of Nepal's banking industry, it is critical to assess NIC Asia Bank's profitability and identify areas for improvement.

In recent years, NIC Asia Bank has focused on digital banking initiatives,

branch optimization, and enhancing customer service to strengthen its competitive position. The bank's profitability metrics, such as return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share, provide valuable insights into its financial performance and sustainability (NIC Asia Bank Annual Report, 2023). These metrics help stakeholders, including investors and regulatory bodies, assess the bank's capacity to generate profits and maintain financial stability in a competitive market.

However, the bank faces challenges, including fluctuating interest rates, regulatory pressures, and credit risks, which may impact its ability to maintain profitability (Sharma, 2022). Understanding the profitability dynamics of NIC Asia Bank is crucial for identifying potential weaknesses and strengths in its financial performance and making informed decisions about strategic investments, cost management, and risk mitigation (Bhandari, 2021).

A profitability analysis of NIC Asia Bank is essential to evaluate its financial health and ensure long-term sustainability. By examining key profitability metrics, such as ROA, ROE, and net profit margin, this study will provide insights into the bank's operational efficiency and financial stability. The findings will help identify potential areas for improvement in cost management, pricing strategies, and investment decisions (Pradhan & Neupane, 2022). Moreover, a comprehensive profitability analysis enables the bank's management and stakeholders to assess whether the bank's current strategies align with its long-term growth objectives and competitive positioning.

The study also aims to analyze how external factors, such as economic conditions and regulatory policies, affect the bank's profitability and financial health. These external elements, coupled with market competition, play a significant role in determining the bank's ability to generate profits and sustain growth (Nepal Rastra Bank, 2021). Therefore, a detailed assessment of NIC Asia Bank's profitability provides valuable information for policymakers, investors, and financial analysts seeking to understand the bank's potential for continued success and long-term growth.

### **Literature Review**

The profitability of banks is crucial for evaluating their financial stability, operational efficiency and long-term viability. NIC Asia Bank, one of the Nepal's prominent commercial banks, has been the subject of numerous

studies focused on its profitability, examining both internal and external factors that influence review analyzes relevant studies that shed light on the determinants of NIC Asia Banks profitability, the challenges faced by the bank in a competitive market. Internal Determinants of profitability of commercial banks is largely influenced by internal factors such as operational efficiency, asset, quality, and capital management of interest rate spreads, cost controls and asset quality are critical determinants of profitability for Nepalese banks. NIC Asia Bank's focus on enhancing its operational efficiency through cost optimization strategies, especially by adopting digital banking solutions has been instrumental in improving its profitability.

Studies show that profitability ratio such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, Gross Profit Margin, Earnings Per Share (EPS), Price Earnings Ratio (P/E) Ratio are widely used to measure that bank's financial performance. Shrestha and Subedi (2020) found that NIC Asia's performance in terms of ROA and ROE has been competitive driven by sound asset utilization and prudent risk management strategies. NIC Asia Bank has maintained a steady growth in profitability by improving its capital allocation, managing operational risks and controlling non-performing loan (NPLs).

Interest income forms a significant part of a bank's revenue stream, especially for commercial banks in developing economics like Nepal. Bhattarai and Dhal (2021) argue that NIC Asia ability to manage its interest rate spreads effectively has been a key driver of its profitability with an expanding loan portfolio the bank has focused on balancing interest income with manageable risk levels, which has had a positive impact on its profitability metrics.

However, as noted by Baral (2019), non-interest income sources such as fee-based services, commissions, and remittances are becoming increasingly important for Nepalese banks including NIC Asia Bank. To enhance its profitability, NIC Asia has diversified its income sources by focusing on non-interest revenue streams through digital products and services, which complement its core banking activities.

In additional to interest factors, external macroeconomic condition such as inflation interest rates GDP growth significantly impact the profitability of commercial banks, Dhungana (2019) highlights that fluctuations in the macroeconomic environment in Nepal, particularly inflation and exchange

rates, can affect banks profitability. NIC Asia Banks profitability is sensitive to these macroeconomic variables, as changes in interest rates can influence both its lending and borrowing activities.

In a competitive banking market, NIC Asia faces challenges in maintaining profit margin. According to Bista and Poudel (2020), market competition among Nepalese commercial banks has intensified in recent years, driving down interest margin. NIC Asia Bank has responded by expanding its customer base and enhancing service delivery, particularly through digital channels to mitigate the impact of increased competition.

Digital transformation has emerged as a crucial factor in improving profitability in the banking sector. NIC Asia Bank has been a leader in adopting digital banking technologies in Nepal, which has helped the bank's reduced operational costs and enhance customer experience. Rana and Thapa (2021) assert that NIC Asia investments in digital platforms such as mobile banking, internal banking and automated teller machines (ATMs) have contributed significantly to its profitability by lowering transaction costs and increasing services efficiency.

Additional, Paudel (2020) discuss the positive impact of digital banking on enhancing customer satisfaction and driving deposit growth, which in turn improves liquidation and profitability. NIC Asia's digital transformation initiatives have allowed the bank to attract tech-savvy customers, reduce overhead costs, and create new revenue streams from transaction fees and online services.

Despite its successes, NIC Asia Bank faces challenges related to credit risk management, regulatory compliance, and market volatility. Shrestha (2019) emphasizes that non- performing loans (NPLs) remain a critical issue for commercial banks in Nepal. NIC Asia's ability to manage its loan portfolio and minimize the occurrence of NPLs is essential to maintaining profitability. The bank's has implemented risk management frameworks that help in identifying and mitigating credit risks.

Regulatory changes also pose challenges for NIC Asia Bank's profitability K.C. and Silwal (2018) highlight the growing complexity of banking regulations in Nepal, particularly with respect to capital adequacy requirements and liquidity management. Compliance with these regulations requires banks to allocate more regulatory reporting, which may constrain profitability.

To remain profitable in a competitive and regulated environment, NIC Asia Bank must continue to focus on operational efficiency, digital innovation and efficiency risk management. As noted by Paudel (2020), the ongoing digital transformation presents significant opportunities for cost reduction and revenue diversification. Moreover, NIC Asia's strategic focus on expanding its presence in rural areas, improving asset risk management and optimizing asset utilization will be critical to sustain its profitability in the future.

Global Studies on Profitability, A cross country analysis by Demirguc-Kunt and Huizinga (1999) explored the relationship between profitability and bank characteristics globally. The study revealed that profitability is largely determined by market conditions, ownership structures, and regulatory frameworks. In this context, NIC Asia Bank's fluctuating profitability could be partly attributed to Nepal's banking regulations and macroeconomic factors.

**Factors Affecting Profitability:** Internal factors such as bank size, operational efficiency, and capital adequacy significantly impact profitability, as noted by Staikouras and Wood(2004). In addition, external factors like economic conditions and regulatory changes play a crucial role in shaping bank profitability, according to Bashir (2003).For NIC Asia Bank, both internal mismanagement and changing profitability trends.

The P/E Ratio is a commonly used valuation measure that indicates how much investors are willing to pay per unit of earnings. Researcher by Kaur and Rao (2010) suggested that a lower P/E ratio often signifies undervaluation in the banking industry. NIC Asia Bank's shrinking P/E ratio may indicate declining market confidence in the bank's future profitability.

Earnings Per Share provide a direct measure of profitability from the perspective of shareholders. Al- Shammari and Salimi (1998) found that EPS is a strong indicator of shareholder value and overall company profitability. NIC Asia Bank's fluctuating EPS highlights the challenges the bank faces in maintaining consistent profitability for its shareholders.

According to Athanasoglou, Brissimis, and Delis (2008), profitability is a crucial factor in maintaining the financial health of banks, and various internal and external factors influence this profitability. Similarly, Pasiouras and Kosmidou (2007) argued that banks need to optimize their cost structure and manage revenues to achieve higher profitability.

#### **Affecting factors of profitability**

The profitability of a bank such as NIC Asia Bank limited is influenced by

several factors. These can be broadly categorized into internal and external factors.

### **1. Internal factors**

I Operational Efficiency. The ability to manage costs, increase productivity, and optimize resource utilization has a direct impact on profitability. Reducing operating expenses boosts the bank's profit margins.

II Asset Quality. The level of non-performing loan (NPLs) affects profitability. A higher percentage of bad loans reduce the bank's earnings, while effective credit risk management enhances profitability.

III Capital Adequacy. Maintaining a strong capital base allows the bank to withstand financial risks and generate suitable returns, contributing to profitability.

IV Revenue Diversification. Dependence on interest income VS non-interest income (fees, commissions etc), impacts profitability, a well diversified income stream improves financial performance.

V Cost of funds. The cost at which the bank raises deposits and other funding sources influences its interest rate spreads and overall profitability.

### **2. External factors**

I. Macroeconomic factors. Inflation, GDP growth, interest rates, and exchange rates significantly affect profitability for example high inflation may erode the value of interest earnings.

II. Regulatory Environment. Compliance with regulatory requirements, such as capital adequacy ratios and reserve requirements, can impact costs and limit a bank's profitability.

III. Market Competition. High competition in the banking sector can compress margins making it difficult to maintain high profitability.

IV. Technological Advances. Investment in digital banking can reduce costs and attract new customers, thus increasing profitability. However, it requires significant initial investment.

V. Customer Behavior. Shifts in customer preferences, such as increased demand for digital services or lower cost alternatives, can influence a bank's income sources and profitability.

Effective management of these internal and external factors is crucial for maintaining and improving the profitability of a bank like NIC Asia.

### **Research Methodology**

In the study of profitability analysis of NIC Asia Bank Limited, the research

report utilizes a combination of exploratory and descriptive research designs, which are instrumental in providing a detailed and structured examination of the bank's financial performance. These two research designs are complementary, each serving designs unique purpose in addressing the research problem.

The exploratory research design is used at the initial stage of the study to investigate and explore the subject of profitability without predefined hypotheses. This design is limited prior research on specific factors. In the context of NIC Asia Bank Limited, gathering qualitative insights from key stakeholders, such as management employees and industry experts, to identify the main drivers and challenges in the bank's profitability, this phase would include interviews, focus groups or an analysis of secondary data such as market reports and inventory trends. The aim would be to uncover patterns potential problems or factors that may influence profitability, such as regulatory changes, economic condition or customer behavior.

On the other hand, descriptive research aims to quantify these insights by using structured data collection and analysis to provide a clearer understanding of profitability metrics for NIC Asia Bank, descriptive research could involve the collection of quantitative data from financial statements, performance reports, and ratios such as Return on Asset (ROA), Return on Equity (ROE), Net Profit Margin, Gross Profit Margin, Earnings Per Share (EPS), Price Earnings Ratio (P/E) Ratio. This data helps in describing the profitability trends over time allowing for a detailed understanding of the financial performance of the bank. The descriptive approach may also incorporate comparisons with industry benchmarks to highlight the bank's competitive standing.

The combination of exploratory and descriptive research methods allows for a comprehensive profitability analysis of NIC Asia Bank Limited. The exploratory phase sets the foundation by indentifying the key factors that affect profitability, while the descriptive phase provides the empirical evidence the bank's financial performance. This dual approach ensures both an in-depth understanding and an objective assessment of the bank's profitability trends, making it easier for decision-makers to identify areas for improvement and growth.

### **Results and Discussion**

My research topic was "Profitability Analysis of NIC Asia Bank Limited" for



this, I choose a exploratory and descriptive research method. Where combining exploratory and comprehensive view of NIC Asia Bank's profitability. Exploratory research identified qualitative factors affecting profitability, while descriptive research provided quantitative evidence of performance. Together, these insights reveal the bank's current financial health areas of strength and opportunities for improvement, guiding strategic decision to enhance profitability.

In the profitability analysis of NIC Asia Bank Limited, the presentation of data is crucial to demonstrate financial performance effectively. In order to evaluate the profitability analysis of NIC Asia Bank Limited, five years of financial statements, including the Balance sheet (B/S) and Profit and Loss account are presented in tabular form. The analysis is structured to fulfill the study's objective by applying specific financial tools and ratios to derive meaningful results. The key profitability ratios to be calculated and presented include:

- 1) Net Profit Margin
- 2) Gross Profit Margin
- 3) Return on Assets
- 4) Return on Equity
- 5) Earnings Per Share
- 6) P/E Ratio

**Net Profit Margin**

Net profit margin measures how much profit a company generates from its total revenue after all expenses have been deducted. A higher net profit margin indicates a more profitable company with better control over its costs.

**Formula:**

$$\text{Net Profit Margin} = (\text{Net Income})/\text{Revenue} \times 100\%$$

**Table 1**  
*Net Profit Margin*

Year	Calculated Value	Change in Value	Change in Percentage
2076	19.65%	-	-
2077	21.05%	1.41	7.32%
2078	15.30%	-5.79	-27.48%
2079	13.68%	-1.62	-10.58%
2080	9.85%	-3.83	-27.99%

Source: Financial Statement (2076-2080)

### *Profitability Analysis of NIC Asia Bank Limited*

The net profit margin analysis of NIC Asia Bank from the years 2076 to 2080 shows a fluctuating trend, reflecting changes in the bank's ability to retain revenue after accounting for all expenses. In 2076, the bank reported a strong net profit margin of 19.65%, indicating a robust year in which the company was able to retain a significant portion of its total revenue as profit. The next year, 2077, saw an improvement in profitability, with the margin increasing to 21.05%, suggesting that the bank either managed to control costs better or experienced an increase in revenue. However, in 2078, the net profit margin dropped sharply to 15.30%, a significant decline of 27.48%, implying that the bank faced increased operational costs or a reduction in revenue. This downward trend continued into 2079, where the margin fell further to 13.68%, representing a 10.58% decrease. The bank continued to struggle with profitability, and by 2080, the net profit margin dropped to 9.85%, a 27.99% decrease from the previous year. This steep decline likely stemmed from higher costs or decreased revenue, further eroding the bank's financial performance.

#### **Gross Profit Margin**

The Gross Profit Margin measures the percentage of revenue that exceeds the cost of goods sold (COGS). It indicates how efficiently a company produces its goods relative to its revenue. A higher gross profit margin means the company retains more from sales after covering the production costs.

#### **Formula:**

Gross Profit Margin =  $(\text{Revenue}-\text{COGS})/\text{Revenue}\times 100\%$

**Table 2**

Gross Profit Margin

Year	Calculated Value	Change in Value	Change in percentage
2076	55.23%	-	-
2077	49.01%	-6.22	-11.26%
2078	14.45%	-34.56	-70.26%
2079	13.68%	-0.77	-5.32%
2080	35.87%	22.19	162.20%

Source: Financial Statements (2076-2080)

## Profitability Analysis of NIC Asia Bank Limited

The gross profit margin, which measures the efficiency of the bank in managing production costs relative to revenue, also showed a variable performance during the same period. In 2076, the bank exhibited a strong gross profit margin of 55.23%, indicating efficient control over production costs, which allowed the company to retain more revenue after covering the cost of goods sold (COGS). However, in 2077, the gross profit margin dropped to 49.01%, reflecting a decrease in cost efficiency, potentially due to rising production costs or lower sales prices. The situation worsened significantly in 2078 when the gross profit margin plummeted to 14.45%, a drastic decline of 34.56%, which translates to a 70.26% reduction in profitability. This drop suggests that the bank faced major challenges in controlling costs or maintaining its revenue. The margin remained relatively low in 2079, at 13.68%, with only a slight decrease from the previous year, indicating that the bank continued to struggle with cost management. However, by 2080, there was a remarkable recovery, as the gross profit margin surged to 35.87%, a significant increase of 162.20%. This rebound suggests that the bank made considerable improvements in managing its costs, increasing its revenue, or optimizing its pricing strategies.

### **Return on Assets**

Return on Assets (ROA) is a profitability ratio that measures how efficiently a company uses its assets to generate profits. The higher the ROA, the better the company is at converting its assets into earnings.

#### **Formula:**

$$\text{ROA} = (\text{Net Income}) / (\text{Total Assets}) \times 100\%$$

**Table 3**

#### *Return on Assets*

Year	Calculated Value	Change in Value	Change in percentage
2076	2.24%	-	-
2077	2.37%	0.13	5.80%
2078	1.05%	-1.32	-55.69%
2079	1.08%	0.03	2.85%
2080	1.53%	0.45	41.67%

Source: Financial Statements (2076-2080)

The Return on Assets (ROA) of NIC Asia Bank from 2076 to 2080 exhibit fluctuating trends that reflect the bank's efficiency in utilizing its assets and shareholders' equity to generate profit, In terms of ROA, the bank had a solid performance in 2076, with a return of 2.24%, indicating that it earned 2.24% profit for every dollar of assets and efficiency in generating profit from them. However, 2078 saw a sharp decline to 1.05%, representing a drastic 55.65% drop, suggesting significant inefficiency, like caused by reduced profitability or poor asset management. A slight recovery was still struggling to regain its earlier efficiency. By 2080, the ROA improved to 1.53%, a significant 41.67% rise, which indicates that the bank became more effective at converting its assets into profits.

**Return on Equity**

Return on Equity (ROE) measures a company's profitability by revealing how much profit it generates with the money shareholders have invested. It is a key indicator of financial performance, showing the efficiency with which a company uses shareholders equity to generate profit.

**Formula:**

$$ROE = (\text{Net Income}) / (\text{Shareholder's Equity}) \times 100\%$$

**Table 4**

*Return on Equity*

Year	Calculated Value	Change in Value	Change in Percentage
2076	9.94%	-	-
2077	11.48%	1.54	15.49%
2078	14.50%	3.02	26.30%
2079	14.79%	0.29	2%
2080	12.24%	-2.55	-17.24%

Source: Financial Statements (2076-2080)

In terms of Return on Equity (ROE), NIC Asia Bank showed a varied performance over the years. In 2076, the ROE stood at 9.94%, signifying that the bank generated 9.94% profit for every unit of shareholder equity. In 2077, the ROE improved to 11.48%, showing a 15.49% increase, which reflects the

bank's enhanced ability to generate returns from shareholders' investments. This positive trend continued into 2078, where the ROE jumped to 14.50%, marking a 26.30% rise, indicating a strong growth in profitability and efficient use of shareholders' equity. However, in 2079, the ROE only slightly increased to 14.79%, a marginal 2% rise, suggesting that although profitability was still growing, the pace had slowed. By 2080, the ROE declined to 12.24%, a significant 17.24% drop, indicating a reduction in profitability and possible inefficiency in the use of equity or an increase in equity relative to profit generation. This decline could signal the bank's need to focus on optimizing the use of shareholders' equity to generate more profit.

**Earnings per Share**

Earnings Per Share (EPS) is a measure of a company's profitability on a per-share basis. It reflects how much profit is allocated to each outstanding share of common stock.

**Formula:**

$$\text{EPS} = (\text{Net Income}-\text{Dividends})/(\text{Outstanding shares})\times 100\%$$

**Table 5**

*Earnings per Share*

Year	Calculated Value	Change in Value	Change in Percentage
2076	34.22%	-	-
2077	31.89%	-2.33	-6.80%
2078	59.62%	27.73	86.93%
2079	46.29%	-13.3	-22.35%
2080	38.44%	-7.85	-16.95%

Source: Financial Statements (2076-2080)

The Earnings Per Share (EPS) of NIC Asia Bank between 2076 and 2080 reveal the bank's profitability per share and the market's confidence in its future earnings. The EPS, which measures how much profit the company generates for each outstanding share, started at 34.22% in 2076. This indicated that the company was generating significant profits per share.

However, in 2077, the EPS dropped slightly to 31.89%, reflecting a small decline in profitability. Despite this decrease, a major surge in EPS was observed in 2078, rising dramatically to 59.62%, an 86.93% increase. This substantial growth suggests that the company experienced a strong increase in profitability during this period, possibly due to higher revenues or reduced expenses. In 2079, however, the EPS fell to 46.29%, representing a 22.35% decrease, which could indicate a slowdown in profitability per share. This trend continued into 2080, with the EPS declining further to 38.44%, an additional 16.95% drop. Despite these fluctuations, the overall earnings for shareholders remained relatively strong, reflecting the company's ability to generate profits over time.

**Price Earnings Ratio**

The Price Earnings Ratio (P/E) ratio measures the market's valuation of a company based on its earnings. A higher P/E ratio suggests that investors expect higher earnings growth in the future.

**Formula:**

$$\text{P/E Ratio} = (\text{Market price per share}) / (\text{Earnings per share (EPS)}) \times 100\%$$

**Table 6**

*Price Earnings Ratio*

Year	Calculated Value	Change in Value	Change in Percentage
2076	13.09%	-	-
2077	17.34%	4.25	32.46%
2078	10.98%	-6.36	-36.67%
2079	16.95%	5.97	54.37%
2080	20.65%	3.70	21.82%

Source: Financial Statements (2076-2080)

The Price Earnings (P/E) Ratio, which reflects market valuation and investor expectations for future growth, began at 13.09% in 2076. This suggested moderate investor confidence in the bank's future earnings. In 2077, the P/E ratio rose to 17.34%, a 32.46% increase, showing that investors became

more optimistic about the bank's potential growth. However, in 2078, the P/E ratio fell sharply to 10.98%, a 36.67% decrease, signaling a decline in investor confidence. This could have been driven by uncertainties regarding the company's future profitability or its recent performance. The market's outlook rebounded in 2079, with the P/E ratio rising to 16.95%, a significant 54.37% increase, indicating renewed optimism among investors. This trend continued into in 2080, as the P/E ratio improved further to 20.65%, reflecting a 21.82% growth. This suggests that investors had growing confidence in the bank's ability to generate future earnings and saw the company as having strong growth potential in the upcoming years.

### **Major Finding**

The analysis of key, financial ratios, including net profit margin, gross profit margin, return on assets, return on equity, earnings per share, price earnings ratio, reveals important trends in NIC Asia Bank's profitability from 2076-2080

- The Net Profit Margin of the bank is in fluctuating trend. The net profit margin showed both increases and declines during the analysis period. Higher in 2077 at 21.05% and lowest in 2080 at 9.85%. The margin saw a significant decline in 2078 by -27.48% and continued falling by -10.58% in 2079, and -27.99% in 2080. The fluctuating trend indicates that the bank's ability to generate net profits from revenue was inconsistent, with a worrying decline in recent years, reflecting poor performance.

- The Gross Profit Margin of the bank also fluctuating trend. Sharply, Higher in 2076 at 55.23% and lowest in 2079 at 13.68%. A major drop occurred in 2077 by -70.52%, followed by another decrease in 2078 by -5.32%. However, there was a strong recovery in 2080 with an increase of 162.20%. The gross profit margin volatility especially the significant drop, followed by a sharp increase suggests instability in the bank's cost management and operational efficiency.

- The Return on Assets (ROA) of the bank is in rise and fall trend. The ROA saw a mix of growth and declines over the year. Highest in 2077 at 2.37%, but it declined by 1.08% and fall further to 1.53% in 2080. The inconsistency in ROA suggests inefficiency in using assets to generate earnings, reflecting below acceptable operational efficiency.

- The Return on Equity (ROE) of the banks is in declining trend. The return on

equity peaked in 2078 but declined significantly afterward. ROE increased to 14.50% in 2078, but declined to -12.24% in 2080 with a -17.24% drop in the final year. The declining ROE trend reflects lower returns to shareholders and poor performance in leveraging equity for profit generation.

- The Earnings Per Share (EPS) of the bank is in diminishing movement. The EPS showed a clear declining trend over the period. EPS peaked at 59.62% in 2078 and dropped to 38.44% in 2080, reflecting a decrease of -16.95% over the period. The declining EPS indicates that the bank's profitability per share decreased significantly, signaling reduced return to investors

- The Price Earnings Ratio (P/E) ratio of the bank is in fluctuating but shrinking trend. The P/E ratio showed both increases and decreases over the years. The highest P/E ratio was 20.65% in 2080, following fluctuation over the years, including a significant decrease of -36.67% in 2078. The price earnings ratio fluctuation coupled with its shrinkage in certain year reflects inconsistent market expectations regarding the bank's future earnings potential.

### **Conclusion**

The conclusion of the profitability analysis of NIC Asia Bank reveals several key areas of concern in its financial performance, emphasizing the need for more comprehensive and long-term strategies to stabilize and enhancing the bank's profitability. The analysis shows that various performance indicators, including the net profit margin, gross profit margin, return on assets (ROA), return on equity (ROE), earnings per share (EPS), price earnings (P/E) ratio, reflect a fluctuating and, in many instances, declining trend. These indicators suggest a declining trend. These indicators suggest inefficiencies within the bank's current operational and financial management, leading to a less than satisfactory overall performance. Although the bank has taken steps to address some of these issues, such as reducing costs and improving revenue streams, the findings indicate that these measures are insufficient to ensure sustained financial stability and growth.

One of the key issues identified in the analysis is the fluctuating net profit margin, which indicates that the bank has not been able to consistently generate profit from its revenue. This inconsistency in profit generation can be attributed to challenges such as rising operational costs and inefficiencies in managing cost of goods sold (COGS). To address this, NIC Asia Bank must focus on streamlining its operations by reducing costs increasing revenue



streams, and implement stricter control over its operating expenses. By doing so, the bank can work toward stabilizing its net profit margin, which is crucial for long-term financial health.

Another concern highlighted is the gross profit margin, which has been on a downward trend in recent years. This decline suggests that the bank is facing difficulties in managing its direct costs efficiently, which could hinder its operational performance. In response, the bank should consider revising its pricing strategies, reducing unnecessary expenses, and better managing bonus payouts. These measures would improve the gross profit margin and contribute to stronger operational efficiency, helping the bank enhance its overall profitability.

The return on assets (ROA) has shown inconsistent results, indicating that NIC Asia Bank is not fully optimizing its asset utilization to generate profit. To improve this metric, the bank needs to focus on strategic asset allocation and better management practices to ensure that its investments yield the highest possible returns. Properly managing and allocating assets can significantly improve the bank's ability to generate profits from its resources, which will in turn, contribute to stronger financial performance.

Similarly, the return of equity (ROE) has been in decline, signaling that the bank is struggling to generate sufficient returns for its shareholders. This could be due to a variety of factors, including increased liabilities and a lack of significant growth in net income. To address this, the bank needs to focus on improving its core operations, reducing liabilities, and increasing income generation. By enhancing its ROE, NIC Asia Bank would not only improve its financial health but also restore shareholder confidence, leading to improved investor relations and market perception.

Furthermore, the analysis notes a diminishing trend in earnings per share (EPS), which suggests a decrease in the profitability per share. To combat this, the bank must work toward increasing its net income by focusing on enhancing its core operations and controlling costs. Increasing EPS is essential for improving shareholder returns and boosting investor confidence, which can positively influence the bank's market valuation and future growth prospects.

Lastly, the shrinking price-earnings (P/E) ratio reflects reduced investor confidence in the bank's future earnings potential. This is a critical issue as it shows that the market views NIC Asia Bank's profitability as uncertain. To

address this, the bank should focus on managing its earnings effectively, improving its earnings performance, and enhancing shareholder value. By restoring investor confidence through better earnings management, NIC Asia Bank can achieve a more favorable P/E ratio, which would reflect positive growth prospects and enhance its position in the financial market.

In conclusion, the profitability analysis of NIC Asia Bank underscores the need for significant improvements in its financial and operational management. While some corrective measures have been implemented, the fluctuating and declining trends in key performance indicators reveal that more proactive and strategic efforts are required. By focusing on cost management, revenue generation, asset utilization, and capital efficiency, NIC Asia can improve its profitability, stabilize its performance and enhance shareholder value in the long-term.

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