



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS SCHOOL OF COMMERCE

**ASSESSMENT OF BANKS PERFORMANCE DURING COVID-19: THE
CASE OF DASHEN BANK S.C.**

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**A Project Work Submitted to Addis Ababa University School of Graduate Studies in
Partial Fulfilment of the Requirements for the Award of Master's Degree in Business
Leadership**

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DECLARATION

I hereby declare that, this project work titled “**ASSESSMENT OF BANKS PERFORMANCE DURING COVID-19: THE CASE OF DASHEN BANK**” has been written by myself and it is a record of my own research work. I have produced it independently except for the guidance and suggestion of my research advisor. No part of this work has been presented in any previous application for another degree in this or any other university with every material used have been duly acknowledged.

Name _____

Signature _____

STATEMENT OF CERTIFICATION

This is to certify that Ephrem Endalamaw has carried out this project work entitled **“ASSESSMENT OF BANKS PERFORMANCE DURING COVID-19: THE CASE OF DASHEN BANK”** under my supervision. This paper is an original work and has not been submitted to any diploma or degree in any college or university, and it is sufficient for submission for the partial fulfilment for the award of Degree of Masters of Art in Business Leadership.

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APPROVAL OF EXAMINING COMMITTEE

As a member of the examining committee of the Master of Arts Degree in Business Leadership Project defence examination, we testify that we have well read and evaluated the Project Work prepared by Ephrem Endalamaw and examined the candidate. We recommend that this Project work be accepted as fulfilling the Project requirements for the degree of Master of Arts in Business Leadership.

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TABLE OF CONTENTS

Contents	Page No
ACKNOWLEDGEMENTS.....	iv
LIST OF ACRONYMS	vii
LIST OF TABLES.....	viii
LIST OF FIGURES.....	ix
ABSTRACT.....	x
CHAPTER ONE	1
1. INTRODUCTION	1
1.1 BACKGROUND OF THE STUDY	1
1.2 BACKGROUND OF THE ORGANIZATION.....	3
1.3 STATEMENT OF THE PROBLEM	4
1.4 RESEARCH QUESTION	6
1.5 OBJECTIVE OF THE STUDY	6
1.6 DEFINITION OF TERMS	7
1.7 SIGNIFICANCE OF THE STUDY	8
1.8 SCOPE OF THE STUDY	8
1.9 LIMITATIONS OF THE STUDY	9
1.10 ORG1ANIZATION OF THE STUDY.....	9
2. Review of Literature.....	10
2.1 INTRODUCTION	10
2.2 THEORETICAL LITERATURE REVIEW	10
2.3 EMPIRICAL REVIEW OF RELATED LITERATURES.....	25
2.4 RESEARCH GAP.....	29
2.5 CONCEPTUAL FRAMEWORK.....	29
3. RESEARCH DESIGN AND METHODOLOGY	30
3.1 Research Approach	30
3.2 Research Design.....	30
3.3 Population and Sampling design	30
3.4 Type of Data and Methods of Data Collections	31
3.5 Data Analysis Methods.....	32
3.6 Formula and Ratio analysis	32
3.7 Validity and Reliability	33

4. DATA ANALYSIS, INTERPRETATION AND DISCUSSION	35
4.1 Introduction.....	35
4.2 Analysis of ROE and ROA of DB during Covid 19	35
4.3 Comparative analysis of ROE and ROA During pandemic	38
4.4 ANALYSIS OF LEVEL OF NPL DURING COVID 19.....	46
4.5 Comparison of NPL during Covid 19	48
4.6 Net Interest Margin and Interest income of the bank for performance measures.....	49
4.7 Analysis of profitability of the bank during pandemic	53
4.8 Qualitative Data analysis from Key Informants interview.....	55
5. Summary of Findings, Conclusions and Recommendations.....	58
5.1. Summary of major findings.....	58
5.2. Conclusion	60
5.3 Recommendations.....	62

LIST OF ACRONYMS

COVID: Corona Virus Disease

DB: Dashen bank

FY: Fiscal years

NBE: National bank of Ethiopia

NIM: Net Interest Margin

NPL: Nonperforming Loan

ROA: Return on asset

ROE: Return on Equity

LIST OF TABLES

Table	Page
Table 4.1 ROE and ROA ratios for the fiscal year 2017/18.....	36
Table 4.2 ROE and ROA ratios for the fiscal year 2018/19	36
Table 4.3 ROE and ROA ratios for the fiscal year 2019/20.....	37
Table 4.4 ROE and ROA ratios for the fiscal year 2020/21.....	37
Table 4.5 Nonperforming loan FY 2017/18.....	47
Table 4.6 Nonperforming loan FY 2018/19.....	47
Table 4.7 Nonperforming loan FY 2019/20.....	48
Table 4.8 Nonperforming loan FY 2020/21.....	48
Table 4.9 other income ratios of 2017/18 fiscal year.....	50
Table 4.10 other income ratios of 2018/19 fiscal year.....	50
Table 4.11 other income ratios of 2019/20 fiscal year.....	51
Table 4.12 other income ratios of 2020/2021 fiscal year.....	52

LIST OF FIGURES

Figure	Page
Figure 2.1 Types of financial performance analysis.....	12
Figure 2.2 Conceptual Framework.....	28
Figure 4.1 ROE and ROA ratios for the fiscal year 2017/18.....	38
Figure 4.2 ROE and ROA ratios for the fiscal year 2018/19	39
Figure 4.3 ROE and ROA ratios for the fiscal year 2019/20	40
Figure 4.4 ROE and ROA ratios for the fiscal year 2020/21	40
Figure 4.5 Combined ROE and ROA ratios for 2017/18 up to 2020/21 FY	42
Figure 4.6 comparison of each year in the first quarter.....	43
Figure 4.7 comparison of each year in the second quarter.....	43
Figure 4.8 comparison of each year in the third quarter.....	44
Figure 4.9 comparison of each year in the fourth quarter.....	45
Figure 4.10 Nonperforming Loan trend from 2017/18 to 2020/21.....	49
Figure 4.11 Net Interest Margin (NIM) of all quarters of fiscal years in study.....	52
Figure 4.12 comparison of non-interest and Interest income of the bank.....	53
Figure 4.13 Profit and revenue of the past three years.....	54
Figure 4.14 Loan and deposit of the past three years.....	55

Abstract

The objective of the study was to assess the effect of COVID-19 pandemic on the profitability and performance of the banking business in the case of Dasher Bank S.C. To evaluate the effect of the pandemic it is important to measure the performance of the bank both before and during the pandemic. The most commonly used measures and employed in this study are Return on Equity (ROE), Return on Assets (ROA), Net Interest Margin (NIM) and Nonperforming Loan (NPL). These ratio metrics are used to measure Dashen Bank's performance over the past thirteens quarters Dashen bank fiscal years. Furthermore, the study also examined other profitability indicators like, interest income to total income and non-interest income to total income margins along with loans and deposits. . The study employed descriptive research design and mixed research approach using mainly secondary data obtained from the bank's financial statements and conducted unstructured key informant interview. In order to analyse the effects of the pandemic on the bank's performance, the research employed ratio comparative analysis technique using graphical and tabular presentation. The findings of the study have shown that there is no significant effect of COVID-19 seen in the profitability and performance of Dasher Bank. The ratios that measure the variables indicated that despite the outbreak, the bank's performance did not show a significant difference as compared with the preceding periods before the outbreak. The trends in these ratio metrics over the years exhibited a pattern that is consistent with insignificant variations. Moreover, the response from the key informant interview indicated that although there was a sign of slowing down in both deposits and loans at the beginning of the outbreak, the overall performance and profitability of the bank is not significantly affected by the pandemic. Thus, the study concluded that the effect of COVID-19 on the profitability and performance of Dashen Bank S.C is insignificant so far. Moreover, the researcher suggests that, even though this research didn't find a major effect of the pandemic on the bank's performance other studies in the future may come up with different results, because the pandemic is still on-going and may change its behaviour.

KEY WORDS: Covid-19, Bank performance, profitability, return on assets, Return on equity, Net Interest Margin, Non-performing loans, Dashen bank.

CHAPTER ONE

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Our world is facing challenges due to the novel corona virus which was first reported in December 2019 in China's Wuhan city of Hubei province. The pandemic, in addition to risking peoples' lives all over the globe, also seriously affected the world economy in general. However, the effect varies from country to country and business to business. Even for some firms, it brought great opportunity in terms of revenue and new way of doing business. Hence, it is not possible irrefutably conclude that COVID-19 is affecting every business in the same fashion. So, conducting industry specific or, individual firm level research may give different picture.

Even if there were relatively less of restriction imposed by the government, compared to many developed countries, a significant portion of our population stayed at home for weeks if not for months as advised by the authorities. Since it is a new viral disease affecting mankind for the first time and has no known cure or available vaccine, the only way of avoiding infection is taking immense precaution like extensive hygiene protocol and physical distancing (Mersha et al., 2021). While these are justified measures to safeguard the best interest of the society, lockdown, quarantine and restrictions of movement to reduce transmission of the virus can cause many psychological problems and indirectly violate the fundamental human rights of freedom of movement (Khoo and Lantos, 2020).

The impact of this pandemic is yet to be fully identified but it visibly affected the world economy, politics, health sectors and the lively hood of millions if not billions. According to Bagchi et al. (2020) a depression of global growth rate to below 2% in 2020 is looming, which may eventually mean a loss of over USD 1 trillion off the total worth of the global economy. The effect of the economic impact first hit the country that is believed to be the origin of the pandemic, a complete lockdown of some states in China lead to shutdown of many factories, and this shutdown resulted on many countries around the world forced to face the domino effect on shortage of raw material and other goods. This is mainly due to the fact that most of these factories are in the hard-hit areas of the country (Baldwin and Di Mauro, 2020). According to Maital and Barzani (2020) This outbreak is expected to cost more than any previous epidemics originated in China, this is due to the changing role of the

country in the world economy, in 2003 when SARS reduces China's GDP by 1% China represented just 4% of global GDP but now China makes up more than 16% of global GDP.

As mentioned above the pandemic has a different effect from country to country and industry to industry, as it brought good business opportunity for some it adversely affected others. Some of the major industries which are adversely affected by this pandemic are; *Hospitality industry*: restrictions placed on travel and stay-at-home orders issued by the authorities led to sharp decline in hotel occupancies and revenues.(Gursoy and Christina, 2020); *Travel and tourism industry*; Research reveals a potential loss of up to USD 2.1 trillion Travel Tourism GDP WTTC in 2020 and world travel and tourism council (WTTC) lists up to 75 million workers at immediate job risk (Soriano and Porada-Rochon 2021), *Sport and entertainment Industry*: restriction of public gathering evidently affected the sport industry by forcing to suspend major sporting events internationally and locally, even after months of suspension sporting events returned without spectators and this adversely affect the industry: *Financial Sector*; initially economists fear that this pandemic may trigger a world economic recession like never before but fortunately it turned out to be less severe than presumed, however the financial sector still suffer a huge downturn. On the other hand, some businesses are booming during this pandemic, according to Kusnic (2020) some businesses like e-commerce sales, online food delivery, e-learning and most of all personal protective equipment (PPE) manufacturers are on the receiving end of the business opportunities brought by the pandemic. Since the pandemic is an ongoing phenomenon, its effect is also growing and opens a door of opportunity for many researchers around the world to find out how it really affected the global society. Eventually the sectors mentioned above are believed to have suffered the most from the effects of this pandemic but the extent of the impact on other sectors is also immense.

The banking industry is the foundation of the financial services group which is concerned on providing the service of saving and lending of money. Jokipii and Monnin (2013) stated that banking sector stability (instability) results in a significant underestimation (overestimation) of GDP growth in the subsequent quarters. Banks play major role in overall economy and financial ability of a given nation. The global disruption caused by COVID-19 is believed to have various effects on banking sector around the world starting from the first quarter of the year 2020. Even though it has been more than a year since the outbreak first reported, studies

started to emerge but the magnitude of the effect that the pandemic imposed needs a lot more researches.

As part of the global community Ethiopia is also enduring the adversity of this pandemic. The government imposed different restriction immediately after the first case was reported in the country in mid-March 2020, including closing of schools; prohibit public gathering, partial lockdown and even a state of emergency (Zikargae, 2020). These restrictions as well as the uncertainty and fear among the public created chaos in the business activity around the nation. While noting that COVID-19 may have affected the banking sector differently due to various factors, this study aims to take part in finding out how the pandemic affected Dashen Bank in terms of profitability and performance.

1.2 BACKGROUND OF THE ORGANIZATION

Dashen Bank started operation in 1996, is one of the first few commercial banks entered into the market following the government's liberalization of the banking sector. These days there are more than 18 commercial banks of which one is owned by the government. Also, there are more banks under establishment making the sector more competitive than before. The name Dashen is taken from the highest mountain in Ethiopia and one of highest peak in Africa, Ras Dashen also known as Ras Dejen Mountain which It is located in the northern part of the country as part of Simien Mountains National Park.

Dashen Bank is among the biggest private banks in the country with more than 423 branches, 10 dedicated Forex Bureaus, more than 350 ATMs and 850 plus Point-of-Sale (POS) terminals around the nation. When it comes to international correspondent banking Dashen established relationship with 462 banks around the globe covering 70 countries and over 170 cities, which enables its customers to access the bank from wherever they are.

Dashen Bank offers the conventional banking services along with some other special banking services, like Sharia Compliant Interest Free Banking dubbed "SHARIK", by making partnership with leading brands in the electronic payments industry. The bank provides service to customers who want to make transactions using AMEX, VISA, MasterCard and UnionPay. It also provides money transfer services with leading operators like Western Union, MoneyGram, Express Money & Dahabshiil, Ezremit, Transfast, WorldRemit and Ria. In the year 2018 Dashen Bank launched its payment platform called "Amole digital wallet"

by partnering with a local technologic company named Fintech Moneta Technologies, the platform offers service for retailers, entertainment industries, airtime dealers, bill payment points, airlines, social media players and third-party service providers.

1.3 STATEMENT OF THE PROBLEM

Covid-19 created a two-fold challenge: health challenge and economic challenge globally. This created economic shocks to a lot of businesses. No one was really prepared for the effects of the COVID-19 crisis. The lockdown to prevent the spread of the Covid-19 has stopped economic activity across many sectors, with important repercussions for firms and households. Firms relying on direct customer contact – such as hospitality and transport – are losing revenue sources; and households working in these sectors are losing employment income.

The banking sector is also affected, although mostly indirectly. While banking services can be provided remotely and do not rely on direct customer contact, the linkage of the sector with the real sector as provider of payment, savings, credit and risk management services extends the negative effect of the Covid-19 crisis to banks and other financial institutions. At the same time, the banking sector has the role of supporting firms and households during this period of lower revenues and incomes, which has triggered important policy actions by financial supervisors and governments. (Economic Observatory, 2020)

According to Chioma Ojukwu (2020), during the pandemic the banks face the following four problems in Nigeria, first, firms that have stopped working miss out on revenues, and therefore might not be able to repay loans. Similarly, households with members who have lost their jobs or are furloughed have less income, and therefore might not be able to repay their loans. This will result not only in lost revenue but also in losses (if repayment capacity is permanently impaired), negatively affecting profits and bank capital. And as a swift recovery becomes less likely, banks can expect further losses, resulting in the need for additional provisions, further undermining their profitability and capital position. Second, banks are negatively affected as bonds and other traded financial instruments have lost value, resulting in further losses for banks. There might also be losses from open derivative positions that have moved in unexpected directions due to the crisis. Third, banks face increasing demand for credit, as especially firms require additional cash flow to meet their costs even in times of no or reduced revenues. In some cases, this higher demand has

presented itself in the drawdown of credit lines by borrowers. Fourth, banks face lower non-interest revenues, as there is lower demand for their different services. For example, there are fewer payments and transactions to be done with lower economic activity, and fewer security issues by corporates reduce fee income for investment banks.

According to Beck and Keil, 2021, across the globe, economies have been hit hard and fast by COVID-19 (IMF 2021). In the US, unemployment spiked in the first half of 2020 at an unprecedented speed. While such a shock is unlikely to leave banks unaffected, equity buffers have improved significantly since the 2007 financial crisis, and monetary and regulatory policy responses were swift and radical to strengthen the resilience of the financial system (Feyen et al. 2020). In addition, governments stepped in to support the real economy, which indirectly benefitted banks.

Thanks to the regulatory protection, the well-functioning economy and the highest bank to population scenarios that sustained for more than two decades, the sector has been enjoying lucrative banking market that easily translated to profitability and earnings to its shareholders. However, similar to other business undertakings and economy wide scenario, the sector has a higher chance to be affected by the COVID 19 unless timely remedial measures are in-placed. This is because banking by nature is a fragile undertaking which is likely to be affected by the performance of the economy as well as the wellbeing of other sectors.

More problematically, the Ethiopian banking sector has been characterized by weak proactive bank risk management, expensive branch expansions, low levels of technology utilization (use of financial technology), huge reliance on customers contact service, and concentration on urban areas over the past two decades. Therefore, private commercial banks cannot continue doing business using traditional business models in this very competitive industry and especially in this highly volatile covid time period.

March 13, 2020, is the date on which the Ethiopian Federal Ministry of Health has confirmed a coronavirus disease (COVID-19) case in Addis Ababa, Ethiopia. Mid-March 2020, is date in third quarter of DB FY 2019/2020. Consequently, according evidence from DB FY 2019/2020 report, the bank faced liquidity stress and the unprecedented global banking and national challenges due to the outbreak of the COVID-19 pandemic. Despite the banks faced common problem globally and locally, still little known how the pandemic affected banks

performance and profitability during the unprecedented challenging period. And there is need to know how the bank is pursuing the interest of the owners in terms of ensuring satisfactory level of Return on Equity (ROE) at an acceptable cost of risk and keeping reasonable overall return on assets (ROA).

Even though a plenty of studies investigated the banks performance during covid-19 in different countries especially in the Europe, USA and in Asia; there is a lack of empirical evidence from the developing countries context like Ethiopia, specifically private commercial banks in particular. To the best of our knowledge, this is the first comprehensive review of the Dashen bank consolidated financial performance evaluation in the context of the threats posed by the COVID-19 pandemic.

In this study, therefore, an attempt was made to assess the resilience of Dashen bank to the potential effects caused by pandemic through an empirical evaluation of the performance and profitability of the bank pre and during covid-19 outbreak.

1.4 RESEARCH QUESTION

The key leading research question of the current study is that: how does Dashen Bank S.C profitability and performance affected by covid-19 outbreak?

The study as well raised the following specific questions

1. What is the level of ROA and ROE during the pandemic in relation to Pre-pandemic years?
2. What is the level of NPL during the pandemic?
3. To what extent the level of NIM affected by the pandemic?
4. What is the level of loan and deposit during the pandemic in relation to Pre-pandemic years?
5. What measures does the bank take to overcome the challenges of COVID-19?

1.5 OBJECTIVE OF THE STUDY

1.5.1 General Objective

The general objective of this study is to Analysis Dashen bank S.C performance and profitability pre and during covid-19 outbreak.

1.5.2 Specific Objective

1. To evaluate the level of ROA and ROE during the pandemic in relation to Pre-pandemic year.
2. To assess the level of NPL during the pandemic.
3. To measure how the level of NIM affected by the pandemic.
4. To identify the level of loan and deposit during the pandemic in relation to Pre-pandemic years.
5. Assess whether the COVID 19 pandemic affected the performance of the bank in a manner that led to change of banking a strategy.

1.6 DEFINITION OF TERMS

The key terms used in this paper are explained using their definition hereunder to minimize ambiguity as to what they mean in this study.

Bank performance - In situations when competitive environment is perfect minimizing cost leads to profit maximization. Likewise, a bank may produce at lower costs and with higher profit than its competitors if it manages to utilize its input and transform them into desired output with the minimum cost possible which enables it to survive in the long run (Bikker and Bos 2008).

Banking sector - is an industry and a section of the economy devoted to the holding of financial assets for others and investing those financial assets as a leveraged way to create more wealth (Hall, 2020).

Financial Sector - The financial sector is the set of institutions, instruments, and the regulatory framework that permit transactions to be made by incurring and settling debts; that is, by extending credit. (Kenton 2020)

GDP – Gross Domestic Product is the final value of the goods and services produced within the geographic boundaries of a country during a specified period of time, normally a year and it is an important indicator of the economic performance of a country.

Pandemic - an epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting a large number of people (Doshi, P., 2011).

1.7 SIGNIFICANCE OF THE STUDY

The COVID-19 pandemics created havoc on the global economy and knocked the doors of millions and take away their loved ones, their health and their livelihood. While in the midst of this pandemic this study tries to make a significant contribution to the banking sector through assessing the extent of the effect that this pandemic precipitated in the sector and create awareness on how to counteract by evaluating the experience of Dashen bank.

Prior to COVID-19 there has been three major pandemics in the past century, the Spanish Flu in 1918, the Asian flu 1957 and the Hong Kong influenza in 1968 (Kilbourne ,2006). As per Guan et al. (2010) the 1918 Spanish flu claimed an estimated 20 to 50 million of lives worldwide and an estimated 500,000 to 2,000,000 human lives were lost by Asian flu and Hong Kong flu combined. According to (European Centre for Disease Prevention and Control, 2021) the current death toll from COVID-19 is exceeding the Asian and Hong Kong flu combined exceeding 3 million deaths and increasing. This indicates that we are facing the deadliest pandemic in a century and may possibly encounter an economic recession. Apart from claiming millions of lives these pandemics also created havoc on the global economy on different occasions.

The outcome of this study may help other financial institutions to know how the pandemic affected the sector specific to Dashen Bank, and provide an insight on how to react in these kinds of situations which require similar response. Moreover, this study can also provide a worthy contribution to other related business sectors by providing evidence on how COVID 19 pandemic can affect their performance.

1.8 SCOPE OF THE STUDY

As mentioned above there are more than 19 commercial banks in Ethiopia off which 17 are owned privately while two are owned by government. This study was solely concentrated on just one of these private banks Dashen bank S.C. Moreover, this study was analysed financial data from the bank covering thirteen quarters a time span from 2017/18 to 2020/21 of fiscal years Dashen bank S.C. in order to see the trends and see if there are changes occurred during these periods. Thus, the study analyses the bank's financial data starting nine quarters before

the outbreak and four quarters after covid-19 that means third quarter of 2017/18 up third quarter of 2020/2021 FY on which data can be obtained.

1.9 LIMITATIONS OF THE STUDY

This study was conducted using a secondary data provided by one of pioneering private commercial banks in the country, Dashen bank S.C. Thus, the authenticity is out of the control of the author. Moreover, the generalizability of the findings on other banks in the sector may depend on other factors than the subject matter of this study. Furthermore, the novelty of the virus and the fact that it is an ongoing pandemic prompted many scholars to engage on doing researchers on the matter. However, at the time being there is inadequacy of sound literatures on the subject matter especially in Ethiopian banking context. This makes this study a bit unfulfilled on having the access to review abundant of researches on the subject matter.

1.10 ORGANIZATION OF THE STUDY

This study comprises five chapters, which are discussed briefly as follows. Chapter one is the introductory part of the study. It discusses the problems and the motives that lead to this research, and analyses statement of the problem, objective of the study and its significance, the questions derived from the problem statement and finally scope and limitation of the study. Chapter two includes review of literature on the theoretical and empirical literatures that are related to the subject matter of the study, which support the soundness of the findings. Chapter three is about research methodology that consists of research design, research approach, sources of data collection, method of data collection and data analysis were discussed. While Chapter Four present financial analysis, discuss and interpret the data and main findings of the study. Finally, in chapter five presented summarize the research, come up with a conclusion up on the findings and make a recommendation; it was also making a suggestion on further study on the subject matter.

CHAPTER TWO

2. Review of Literature

2.1 INTRODUCTION

This chapter presents review literatures that have related information on the subject matter of the study. Literatures that support and make sure that the findings of this study are acceptable and valid. As explained in the previous chapter this study was focused on the effect of COVID-19 on the Ethiopian banking industry specific to Dashen Bank. The researcher believes that this research is one of the original studies conducted on this specific issue. The fact that it is an unprecedented occurrence may pose some difficulties in obtaining abundant of literatures that discuss this specific matter. For generations banks have served under difficult conditions and have encountered many problems which led them to near collapse situations, but pandemics contributed only for few of these causes. Likewise, this chapter was review literatures that support this study's subject matter and similar situations which have various effects on the banking sector. Theoretical as well as empirical concepts of the study matter was be reviewed and discussed by inferring prior related studies.

2.2 THEORETICAL LITERATURE REVIEW

2.2.1 MEASURING AND ANALYZING FINANCIAL PERFORMANCE OF A FIRM

A firm itself as well as various interested groups such as managers, stakeholder, creditors and tax authorities seek answers to the following important questions (Meigs, 1988; 29)., What is the financial position of the firm at given point of time? And how is the financial performance of the firm over a given period of time? These questions can be answered with the help of financial analysis of a firm.

2.2.2 DEFINITION AND OBJECTIVE OF FINANCIAL PERFORMANCE ANALYSIS

Pandey in his book, financial management, and defined financial performance analysis as it is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and income statement. Financial performance analysis includes analysis and interpretation of financial statements, in such a way that is under takes full diagnosis of the profitability and financial soundness of the business.

The opening task in performance analysis is to select the information which is relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships (pandey, 2007; 517).

The final is interpretation and drawing of inferences and conclusions. In short, financial performance analysis is the process of selection, relation and evaluation (Ibid). Creditors and investors use financial analysis into two general ways (Ross and Jordan, 2001; 67). Firstly, to judge past performance and a current position and secondly to judge future potential and the risk connected with the potential and related risk.

2.2.3 ASSESSMENT OF PAST PERFORMANCE AND CURRENT POSITION

Past performance is often a good indicator of future performance. Therefore, an investor or creditor looks at the trend of past sales, expense, net income, cash flow and return on investment not only as a means of judging management's past performance but also as possible indicators of future performance. In addition, an analysis of current position will tell, for example; what assets the business owns and what liabilities must be paid. It will also tell what the cash position is, how much debt the company has in relation to equity, and how reasonable the inventories and current positions is often important in achieving the second general objective of financial analysis (Ross and Jordan, 2001; 67).

2.2.4 ASSESSMENT OF POTENTIAL AND RELATED RISK

Information about the past and present is useful only to the extent that it has bearing on decisions concerning the future. An investor judges the potential earning ability of a company because that ability will affect the value of the market price of the company's stock and the number of dividends the company will pay.

A creditor judges the potential debt-paying ability of the company. The potentials of some companies are easier to predict than those of others and so there is less risk associated with them. The riskiness of the investment or loan depends upon how easy it is to predict future profitability or liquidity (Ibid).

2.2.5 SIGNIFICANCE OF FINANCIAL PERFORMANCE ANALYSIS

Interest of various related groups is affected by the financial performance of a firm. Therefore, these groups analyse the financial performance of the firm (Gitman, 1997; 116).

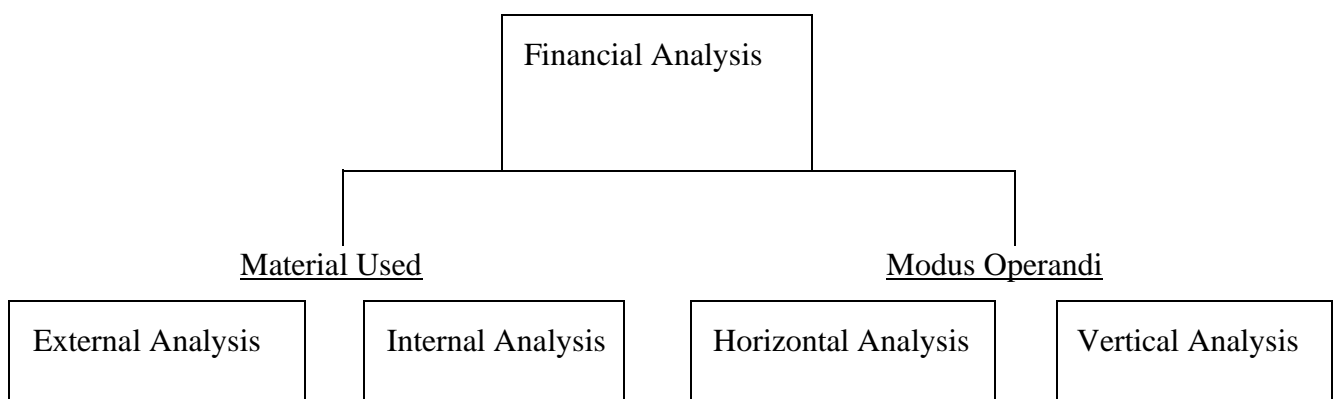
The type of analysis varies according to the specific interest of the party involved (Ibid).

- **Trade creditors:** interest in the liquidity of the firm (appraisal of firm's liquidity).
- **Bond holders:** interested in the cash flow of the firm (appraisal of firm's capital structure, the major sources and uses of funds, profitability overtime, and projection of future profitability).
- **Investors:** interested in present and expected future earnings as well as stability of these earnings (appraisal of firm's profitability and financial condition).
- **Management:** Interested in internal control, better financial condition and better performance (appraisal of firm's present financial condition, evaluation of opportunities in relation to this current position, return on investment provided by various assets of the company).

2.2.6 TYPES OF FINANCIAL PERFORMANCE ANALYSIS

Financial performance analysis can be classified into different categories on the basis of material used and modes operandi (www.bentleycg.com).

Figure 2.1 Types of financial performance analysis



2.2.6.1 MATERIAL USED: on the basis of material used financial performance can be analysed in the following two ways (www.bentleycg.com).

I. External Analysis

This analysis is undertaken by the outsiders of the business namely, investors, credit agencies, government agencies and other creditors who have accessed to the internal records of the company. They mainly use published financial statements for the analysis and as it services limited purposes.

II. Internal Analysis

This analysis is undertaken by the persons namely executives and employees of the organization or by the officers appointed by government or court who have access to the books of account and other information related to the business.

2.2.6.2 Modus Operandi: on the basis of modus operandi financial performance can be analysed on the following two ways (www.bentleycg.com).

I. Horizontal analysis

In this type of analysis financial statements for a number of years are reviewed and analysed. The current year's figures are compared with the standard or base year and changes are shown usually in the form of percentages. This analysis helps the management to have an insight into levels and areas of strengths and weakness. This analysis also called Dynamic Analysis as it based on data from various years.

II. Vertical analysis

In this type of analysis study is made of quantitative relationship of the various items of financial statements on a particular date. This analysis is useful in comparing the performance of several companies in the same group, or divisions or departments in the same company. This analysis is not much helpful in proper analysis of firm's financial position because it depends on the data for one period. This analysis is also called Static Analysis as it based on data from one date or for one accounting period.

2.2.7 TOOLS OF FINANCIAL PERFORMANCE ANALYSIS

In order to evaluate financial condition and performance of a firm, the financial analyst needs certain tools to be applied on various financial aspects. One of the widely used and powerful tools is ratio or index.

2.2.7.1 Ratio Analysis

The first step in executing analysis of financial statement is to carefully read the statement and their accompanying note. The use of ratio analysis has become wide spread to the extent that computerized financial statement analysis program prepared financial ratio as part of their overall analysis (Kieso and Weygandt, 1998; 232).

Ratio Analysis is a powerful tool of financial performance analysis. Ratio is defined as “the indicated quotient of two mathematical expressions” and “the relationship between two or more things” (Kieso and Weygandt, 1998; 232).

In financial analysis a ratio is used as an index or yardstick for evaluating the financial position and performance of the firm. Ratio analysis plays an important role in determining the financial strength and weakness of a company relative to that of other companies in the same industry. The analysis also reveals whether the company’s financial position has been improving or deteriorating over time (Ibid).

2.2.7.2 Standard of Comparison

A single ratio in itself doesn’t indicate favourable or unfavourable condition. It should be compared with some standard of comparison may consist of (Pandey, 2007; 518). Ratios are calculated from the past financial statement of the same firm; Ratios can be developed using the projected, or Performa financial statement of the same firm; Ratios of some selected firm especially the most progressive and successful, at the same point in time. And Ratios of the industry to which the firm belongs.

2.2.7.3 Basic Financial Ratios

Financial ratio can be designed to measure almost any aspect of a company performance. In general analysts use ratio as tool in identifying areas of strength or weakness in a company. Ratio; however, tend to identify symptoms rather than problem (Pandey, 2007; 518). A ratio whose value is judged to be different or unusually high or low may help identify significant event but will seldom provide enough information in and of it, to identify the reasons for an event’s occurrence. Liquidity ratio, Activity ratio, Leverage (debt) ratio and Profitability ratio are among common classification.

2.2.8 BANKING PERFORMANCE MEASURES IN RELATION WITH COVID 19

Alike other business organizations the records of bank's transactions or accounting summary that details a business organization's revenues, expenses net income and other recorded financial activities are the basic input for measuring its performance. It is a well-known fact that profitability is the basic concern for any commercial activity, likewise banks performance is highly rely on its profitability as it is one of the basic characteristics of performance (All Answers Ltd. 2018). According to Shaftoe (2017) and Choudhury (2018) cited on Hassan (2021) some of the commonly utilized key financial ratios that help to analyse performance of a bank are Return on Assets (ROA), Return on Equity (ROE), efficiency ratio and the Net Interest Margin (NIM). These ratios help to recognize trends in a given bank's performance as well as making a comparison with its competitors.

The European Central Bank (2010) suggests that while measuring performance of a bank it is Important to consider different perspectives and interests according to the focus of stakeholders. These set of bank performance measures used by academics as well as practitioners can be categorised into three as traditional, economic and market-based measures. The traditional performance measure is the commonly used measure applied to other sectors as well and uses ratios like Return on Assets (ROA), Return on Equity (ROE) and cost-to-income ratio. Economic measure of performance takes into account the development of shareholder value creation and focuses on analysing the economic results produced from its economic assets during a fiscal year. This measure requires high level of information to manage and focuses on efficiency as a central element of performance. Market-based measure is used to characterize how the bank's activities valued by the capital market compared with value it is estimated to have.

The banking industry's operation has quite a different nature than most other businesses due to the fact that other businesses either give a service or sell a product, while the primary product a bank sells is money itself, this makes the analysis of banks performance challenging (Maverick 2019). As mentioned above different stakeholders have different point of view when it comes to bank performance, according to European Central Bank (2010) and Shaftoe (2017) the most commonly used measure of bank performance are return on equity (ROE) and return on assets (ROA). Moreover, from the banks' point of view their profit is determined by how much money they put out on loan to their customers, because as

mentioned above banks earn their profits majorly from the interests they collect from their loans. According to Gup and Kolari (2011) cited in Ljube (2017) credit risk is the primary reason for the failure of banks and it is the most visible risk faced by bank managers. When unprecedented economic conditions resulted in adversely affecting the loan portfolio of a bank the main risk that a bank faces is that the inability of collecting loans. This can lead the bank to credit risk and possible loss which leads to failure. Thus, as mentioned by Stuti and Bansal (2013) cited in Ljube (2017) nonperforming loan (NPL) is one of the indicators of profitability and solidity in banking industry and financial system of the country as a whole.

The impact of the COVID-19 pandemic has already brought major economic disruptions globally and the economic consequences are now having unprecedented effects. If this situation persists, solvency risk of corporates and households would rise substantially with detrimental effects on bank NPLs. Empirical evidence suggests that policies adopted by governments and central banks have helped ease banks' challenges amid the COVID-19 crisis and mitigate the increase in bank NPLs in both advanced and emerging market economies. Nevertheless, high heterogeneous projected NPL ratios across countries reflect that some economies are expected to be more negatively impacted than others. A weaker than expected economic recovery, premature end or insufficient monetary and fiscal support measures to mitigate negative consequences of the several waves of the pandemic along with growing vulnerabilities in the non-financial private sector may also entail higher bank NPLs

1. Return on Equity (ROE)

Return on equity (ROE) is one of the two most important measures for evaluating company's corporate performance in terms of managing it towards success. By utilizing capital in the most profitable manner it is the most commonly used central measure of performance in the banking industry, initially came to use from its perspective on the risk management on banking and bank capital regulation (Christophe and Arthur 2014). According to Higgins (2016) return on equity (ROE) also known as financial profitability coefficient is the most popular yardstick of financial performance used by investors and senior managers. It measures the investors' return level, and the higher it is, the more the funds allocated are used effectively to generate income.

$$\text{ROE} = \text{Net income} / \text{Shareholders equity}$$

Higgins (2016) argues that the importance of ROE is amplified due to its ability to measure the efficiency with which a company employs owner's capital. Thus ROE measures the earnings per dollar of invested equity capital or percentage return to owners on their investment. Despite the fact that these attributes make ROE most preferable measure of performance it has limitations under different circumstances.

2. Return on Asset (ROA)

Return on Assets (ROA) is one of the most popular and useful of the financial ratios, it indicates the profitability of a company compared to its total assets and shows the efficiency of the company's management on using its assets in order to generate income. ROA is a preferable financial ratio when there is need of comparing similar companies or when a company needs to compare its own performance of different time span (James 2021). According to Higgins (2016) "ROA is a basic measure of the efficiency with which a company allocates and manages its resources. It differs from ROE; in that it measures profit as a percentage of the money provided by owners and creditors as opposed to only the money provided by owners.

$$\text{ROA} = \text{Net Income} / \text{Total Asset}$$

3. Net Interest Margin (NIM)

Net Interest Margin (NIM) is a performance metric that is used to analyse how the bank's investment decisions fare over its debt situations. It compares the value the bank earned from interest income, with that of the interest it pays for depositors. A positive value denotes that the bank generated income from the interest earned exceeding the interest paid (Hassan 2021)

4. Nonperforming Loan (NPL)

A nonperforming loan (NPL) is a loan that is considered in default or close to default and highly unlikely that the debtor will repay their debt in full. Commercial loans are considered nonperforming when the debtor didn't make any repayment of their loan within 90 days, (Drury 2021). According to Dreca (2012) cited in Ljube (2017) nonperforming loan (NPL) is one of the most important factors affecting bank operations along with the size of the bank measured by its total assets and profitability measured by the indicator of return on assets and return on equity. The non-performing loans to loans ratio is calculated by adding 90 plus days

late loans (and still accruing) to nonaccrual loans, and then dividing that total by the total amount of loans in the portfolio.

The COVID-19 pandemic has caused an unprecedented health and humanitarian crisis and the outlook is uncertain (OECD, 2020c; OECD, 2020d). A prolonged severe disruption, characterised by a continuation of weaker earnings and poorer corporate and household debt performance, could negatively affect bank asset quality. Therefore, banks are likely to face a substantial increase in non-performing loans due to the rise in household and corporate defaults

2.2.9 SOCIAL RESPONSIBILITIES OF BANKS

The concept of corporate social responsibility in the banking industry is one important factor in terms of making profit out of customer (society) who is satisfied and willing to work with. In recent years our world has witnessed the outcome of banking that lack ethical commitment causing global recession that adversely affected the society in one way or another (San-Jose et al. 2011). This forced the academic world to do more researchers on corporate social responsibility (CSR) of banking industry.

According to Carroll (2001) corporate social responsibilities are categorized into four which are economic responsibility, legal responsibility, ethical responsibility and voluntary expectations or philanthropic responsibility. Economic responsibility emphasizes the importance of maximizing earning per share, maintaining strong competitive position and committed to achieve consistency in being profitable. Legal responsibility indicates that an organization (a bank) should operate in a manner that meets the expectations and requirements stated by the government, and fulfil legal obligation and being law-abiding organization. An organization (a bank) should also consider operating in a manner that compromises the expectations of societal ethical norms and moral in order to fulfil its ethical responsibility. Philanthropic responsibility is an act by an organization (a bank) of performing charitable or volunteer activity in order to support or show solidarity to the society it serves.

Generally, as shown in the study of Green (1989), Lynch (1991), Cowton and Thompson (1999) cited in San-Jose et al. (2011) ethical banks are those who obtain the following characteristics. A bank's economic activities with social added values that obtain social profitability and a good management that can ensure the fulfilment of economic profitability will result in profit distributed between shareholders. These two aspects are equally important as the social dimension makes the bank ethical and the benefit dimension makes the bank economically sustainable.

2.2.10 CONTRIBUTION OF BANKING TO THE OVERALL ECONOMY

Scholars and researchers on financial studies over the years have discussed and analysed the relationship between the banking sectors and economic growth of a country. Among these authors McKinnon and Shaw (1973) Fry (1988) King and Levine (1993) cited in Obademi and Elumaro (2014), argues that banks do have a crucial role in the economic growth of a nation, while some scholars like Patrick (1967) taken the argument to the other side and said that banks play insignificant role in the economic development.

Scholars with rich economics background also revealed their findings on this matter several times. Nations with strongest economies may have gone through a lot of hard work, but their establishment of proper financial system at dawn has a decent contribution on the success that they are enjoying now (Yu Liang and Reichert 2006). Likewise, the resources that are not abundant in one country can be utilized in a manner that is more productive when that country has an efficient financial sector. This is mainly due to the ability of the financial sector of promoting and supporting the process. According to Boyd and Prescott (1986) as the financial sector's efficiency increases and become advanced, it facilitates the proper allocation of financial resources for people who are faced with lack of fund while they have the potential and the opportunity to involve in investment.

Moreover, under his review of the role of banks in the industrial development of Europe and Soviet Union, Gerschenkron (1962) argues that even though there was mismatch of loaning capacity of banks and demand from potential investors at the early stages of growth, he gave a great deal of credit to the banking sectors for the achievement of development in the industrialisation process. He also stated that the level of economic development in the economy and its structural peculiarities are determinant factors for the efficiency of banks in the development process.

Generally, the fact that banks have a facilitating role in the economic development has been supported by many scholars, among those who backed this argument are Schumpeter (1934) Porter (1966) Adelman and Morris (1967) Mckinnon (1973) Shaw (1972) and Levine and Zervous (1996) as listed in Obademi and Elumaro (2014). These authors seem to have a consensus on the matter adding that, the banking industry as part of the financial sector can accelerate the process of economic growth. They also claim that banks support investment and entrepreneurship as well as financing projects that promote technological innovations.

2.2.11 COVID 19 ON FINANCIAL PERFORMANCE

Many studies analyse the impact of the COVID-19 pandemic on businesses (Amankwah-Amoah et al., 2021; Bacq et al., 2020; Budda et al., 2020; Carracedo et al., 2020; Eggers, 2020; Krishnamurthy, 2020; Lin & Zhang, 2020; Mullins, 2020; Sharma et al., 2020; Anker, 2021; El-Sheekh & Hassan, 2021; Hossain, 2021; Shaikh, 2020; Mirza et al., 2020a; Agrawal, 2020; Rizvi et al., 2020a; Teng et al., 2021).

A bibliometric analysis was conducted by Carracedo et al. (2020) to find the terms most commonly associated with covid, coronavirus, or pandemic. The results of that study showed that firm, tourism, and financial were the most significant terms. However, many terms such as business, crisis, strategies, organization, market, innovation, supply, management, global, and work were found to be correlated with covid, coronavirus, or pandemic.

Lin and Zhang (2020) suggest that the COVID-19 pandemic affects the global food supply and market differently. After a survey conducted in March–April 2020 on 122 agricultural export companies from a Chinese province (Fujian), Lin and Zhang found that although agricultural businesses reduced their exports, some agricultural products such as grain and oil witnessed recorded increases. Similarly, Nakat and Bou-Mitri (2021) conduct a substantially large literature review on studies that analyze the impact of the COVID-19 pandemic on the food industry (until June 5, 2020). They conclude with an acknowledgment of the significant challenges in the food sector due to the COVID-19 pandemic. These challenges are related to many factors such as consumer purchasing behavior, transportation network disturbances, labor absenteeism, and the closure of various food manufacturing industries.

Regarding the airline sector, Budda et al. (2020) research conducted for the period March–May 2020 highlights airline companies' most important responses to the pandemic, especially in the context of drastic reduction in flights. The most common responses of airline

companies have been changes in flight operations, rationalizing fleets, reducing staff members, and reconfiguring their networks. Moreover, Agrawal (2020) analyses the impact of the pandemic upon the airline industry in India. The paper includes a detailed financial analysis of airline companies between 2010-2019, focusing on their performances, profitability and Altman Z scores. Indeed, this sector has been strongly affected by the pandemic and their paper projects the operating losses amid Covid-19 impact on various regression scenarios. The author concludes that the viability of this sector depends on the recovery of variable expenses and minimizing losses.

Several studies (Nepal, 2020; Skare et al., 2021; Sigala, 2020) analyze the impact of the COVID-19 pandemic on the tourism industry. Skare et al. (2021) reveals a large destructive impact on travel and tourism industries and suggests the adoption of a private and public policy partnership to support and develop new risk management methods for dealing with the crisis. Additionally, Sigala (2020) critically reviews past and emerging literature and discusses the major impacts, behaviors, and experiences that the three major tourism stakeholders (tourism demand, supply and destination management organizations, and policymakers) experience during the three stages of the COVID-19 pandemic—response, recovery, and reset.

The study of Mirza et al. (2020a) conducted on the impact of COVID-19 on the solvency of 12,387 non-financial listed companies in the 15 EU member states finds that manufacturing, mining, and retail firms are more susceptible to solvency issues due to a decline in market capitalization. These sectors are found to be more expose to the probability of default and to face a significant decline in cash flow sufficiency compared to other sectors of activities. Furthermore, Rizvi et al. (2020a) assesses the impact of the COVID-19 pandemic on the valuation of non-financial firms in 10 EU member states using a stress testing scenario approach. Using a generous sample of 5342 listed non-financial entities, their findings show a significant loss in valuations across all sectors due to a possible decline in sales and increase in cost of equity. The authors estimate that average entities in some sectors might lose up to 60% of their intrinsic value in one year, as a crisis effect. Then, there are studies such as Yarovaya et al. (2020a) that conduct stress tests on quarterly data to assess the impact of Covid-19 upon loan portfolios of 255 credit institutions from 10 EU member states. Their findings reveal that the quality of their assets and capital adequacies deteriorated, increasing

their probability of default. Bigger banks seem to be more sensitive to enhanced stress scenarios, so the threat of a systemic meltdown is present under pandemic conditions.

The research literature paid interest to the effects of the current crisis upon the evolution of mutual funds as well. As such, Yarovaya et al. (2021) investigates the impact of human capital efficiency, mainly that of mutual funds' portfolio managers, upon funds' performance, during this period of extreme stress created by the COVID-19 pandemic. Their findings prove that the equity funds that were ranked higher in human capital efficiency outperformed their counterparts during the COVID-19 outbreak. Further on, their analysis for different stages of the outbreak revealed some interesting findings, concluding that human capital investments results in efficiency and funds' performance during uncertain periods. Moreover, Rizvi et al. (2020b) evaluates the preliminary effects of the pandemic across various categories of European mutual funds, by dividing the January-May 2020 time period into three evolutionary phases. The only rather stable category of funds from the point of view of investment styles proved to be that of social entrepreneurship funds. This study's conclusions highlight the fact that the market recorded transitions from riskier to relatively safer options as investment strategies and sizes. Then, investments moved to non-cyclical sectors and from countries with higher infection rates to those with relatively smaller rates. Supporting the same idea, Mirza et al. (2020b) also work with a sample of European actively managed funds, for the first six months of the year 2020, proving that social entrepreneurship funds outperformed their counterparts during that time, so the researchers recommend social entrepreneurship funds as resilient and 'a viable contender in investment portfolios especially during periods of high volatility'. On regional subsamples of mutual funds, Mirza et al. (2020c) study the effects of the pandemic upon the massively impacted Latin American countries from the point of view of the risk-adjusted performance of equity funds. By ranking these equity funds as per their human capital efficiency using 2019 as the base year, the researchers demonstrate the superior performances of higher human efficiency ranked funds as opposed to their counterparts. Yarovaya et al. (2020b) validate Islamic equity funds to have been more resilient to the initial COVID-19 shock, since they outperformed non-Islamic counterparts in terms of their risk-adjusted performance.

Another group of studies (Dimson et al., 2020; Eggers, 2020; Kalemli-Ozcan et al., 2020) focus on how big and small companies are managed during times of crisis. Small and medium-sized companies are more severely affected by a crisis than big companies due to the

supposed liability of smallness and their lack of resources (Eggers, 2020). Eggers (2020) research includes a bibliometric study on 69 papers examining SMEs during previous crises and proposes ways to overcome economic downturns in the areas of finance, strategy, and institutional environment. A large study conducted by Dimson et al. (2020) in August 2020 on more than 2,200 SMEs from five European countries (France, Germany, Italy, Spain, and the United Kingdom) reveals that the vast majority of analysed SMEs have registered decreases in their revenues. In Italy, Spain, and the United Kingdom this decrease is of approximately 30%-33% while in France and Germany it is much lower (at 27% and 23% respectively). Another large study by Kalemli-Ozcan et al., Kalemli-Ozcan et al., Kalemli-Ozcan et al., (2020) on seventeen countries estimates an increase of the failure rate of SMEs by approximately 9 percentage points in the pandemic context. Service sectors such as accommodation and food services, arts, entertainment and recreation, and education are among the most affected sectors.

The existence of a financial equilibrium in the form of net working capital has an impact on company performance, risk, and value (Smith, 1980; Baños-Caballero et al., 2016; Panda & Nanda, 2018; Achim et al., 2016; Mirza et al., 2020a; Rus & Achim, 2020; Rizvi et al., 2020a). Having good cash-flow management is imperative, especially during a crisis such as the COVID-19 pandemic. There are numerous indicators of a business which suggest an insufficient amount of working capital, such as late payments (inability to pay bills in a timely manner), late deliveries (because the organization cannot maintain sufficient stocked inventories, it buys materials from suppliers only after receiving orders for them from customers, and this period of delivery implies delays), and short credit (the organization requires cash in advance from its customers to finance the good's production) (Brag, 2015, p.139).

In this view, Mullins (2020) provides four simple tools to help any business owner effectively manage cash flow in the context of the COVID-19 pandemic. A positive working capital requirement needs to be financed both from own resources and outside resources (using leverage) that can be attracted in the long term. The decision to finance a company impacts its overall performance; therefore, companies need to carefully consider the positive and negative aspects of each financing method for its operations. The same, Teng et al. (2021) consider financial flexibility to be a strong advantage for the sustainable development of enterprises. They work with a sample of Taiwanese listed companies, analysing their data for

the first two quarters of 2020, estimating a significant and positive effect of financial flexibility upon companies' Return on Assets, also revealing that Taiwan's asset-light manufacturing industry suffered the most from the COVID-19 crisis. Their robustness checks section uses Return on Equity as an alternate dependent variable proxy.

Debt is an important mechanism for solving the problems of companies where there is a separation between ownership and control. Managers have incentives to increase its value, because the higher the value of their company, the more it directly contributes to an increase in their power, prestige, and remuneration. In this context, debt is used as a disciplinary mechanism to reduce agency costs by aligning the interests of shareholders and managers, according to the 'control hypothesis' (Jensen & Meckling, 1976). Similar results are seen in Cremers and Nair (2005) study, which concludes that a strong corporate governance system generates a higher level of debt by employing leverage to increase business performance. Furthermore, Driffield et al. (2007) show that higher levels of concentration of holdings are associated with higher levels of debt, regardless of the type of ownership structure (Achim & Borlea, 2013, p.99). However, some studies find opposite results (Frydenberg, 2011; Lenka, 2017). Frydenberg (2011) finds that lower indebtedness increases returns when companies prefer to finance themselves from retained earnings rather than debt financing. For Czech companies, Lenka (2017) finds a negative relationship between ROE and indebtedness in the vast majority of business sectors (agriculture, fishery, and forestry; construction, wholesale, and retail trade, motor vehicles and motorcycles repair; professional, scientific and technical activities; administrative and support service activities).

Nonetheless, Bieliaieva et al. (2020) analyze the current business situation and state that for enterprises, crisis may arise earlier than for the entire country or world economy, due to internal disruption. Their paper focuses on crisis management as a solution to overcome crisis, with long term effects upon a company's sales and profits. The new trends the businesses adapted to, as a response to the pandemic, envisaged e-commerce and new opportunities for development, in order to avoid being closed down. Another interesting idea they sustain is that the cost of a crisis continues long after it has actually ended, for dimensions ranging from employees and their families, to the countries and the entire world, too.

2.3 EMPIRICAL REVIEW OF RELATED LITERATURES

2.3.1 BANKING PERFORMANCE DURING PVIOUS PANDEMICS

Our world has witnessed series of pandemics over the past century, which some are deadlier than others. Researchers have conducted many studies on this matter and have investigated the effect it had on different aspects, one of which is the impact it had on the economy. According to Garrett (2008) at the time of the earliest pandemic of the past century which was the 1918 influenza pandemic, it was unfortunate that there was lack of economic data which can be used as an input for studying the economic impact. The effects that the pandemic has on the financial sector and the overall economy have not been left unstudied despite lack of adequate data. Some studies have been conducted using data from the then printed media. Overcoming the challenges made by lack of data, the Federal Reserve Bank of St. Louis estimated that there was notable economic loses but fortunately the economic hardship was short-lived (Khatit 2021).

As a principal stakeholder and a major contributor of the economy banks do feel the pinch whenever there is an economic hardship. According to Qiu et al. (2017) in 2003 annual GDP of China decreased by 1% and the GDP of Southeast Asia also declined by 0.5% due to SARS outbreak resulted on an estimated income loss that ranges from USD 12.3 to 28.4 billion for East and Southeast Asia, which adversely affected many industries including the financial sector.

World trade is forecasted to shrink by nearly 15% in 2020 amid sharply reduced global demand for goods and services, and disruptions in global supply chains, according to the United Nations World Economic Situation and Prospects (WESP) mid-2020 report.

according to the United Nation's World Economic Situation and Prospects (WESP) mid-2020 report, the global economy is projected to contract by 3.2%, against the backdrop of the devastating coronavirus pandemic. World trade is forecasted to shrink by nearly 15% in 2020 amid sharply reduced global demand for goods and services, and disruptions in global supply chains, according to the United Nations World Economic Situation and Prospects (WESP) mid-2020 report.

2.3.2 BANKING PERFORMANCE DURING COVID-19 PANDEMIC

Due to the novelty of COVID-19 pandemic and the fact that the world is still dealing with it, the number of literatures regarding the effect of COVID-19 on banking performance is underwhelming. Those which are relatively in the increase are literatures that give an insight on the potential COVID-19 implication for banks which are well established and in the larger economies. This makes these studies to remain mostly applicable to the developed countries (Barua and Barua 2021). The global health crisis caused by COVID-19 overwhelmed the health care capacity of almost the entire world including the developed economies that was assumed to have the best healthcare system. Evidently that was not the only sector affected adversely, the unprecedented macroeconomic and health systems shocks are likely to have spill over effects on financial systems of these nations. The financial sector among so many others has suffered the impact, according to Bara (2020) Baldwin and di Mauro (2020) Sharma et al.(2020) cited in Elnahass et al. (2021) the immediate impact of the pandemic forced the financial institutions to prepare themselves for challenging and worrisome future. Likewise the effect of the pandemic has also gone beyond just the banking sector and reflected on the global economy. In January 2021 the International Monetary Fund (IMF) forecasted that it is highly likely that the world economy in 2020 did suffer one of the worst setbacks in recent history which is 3.5 percent (Khatit 2021).

In the mid February 2020 US banks started to see their share crumble due to the same cause, and in early March joined the worst hit sectors resulting on the decline of bank stock prices as low as in the time of recession in 2008 (Aldasoro et al. 2020). According to Larbi-Odam et al.(2020), Cecchetti and Schoenholtz (2020), Goodell (2020), World Bank (2020), and Stiller and Zink (2020) cited in Barua and Barua (2021) the pandemic affected the banking sector by worsening the risks that banks naturally deal. Risks like credit squeeze, reducing return from loans and investment, nonperforming assets and default rates as well as liquidity crunch and declining market interest rate. This scenario eventually leads the banks to having an increase in the number of risks such as market risk, liquidity risk, interest rate risk, and credit risk. These risks mentioned above are more likely to be amplified in countries with banks that serve high population of low income saving customers and companies, who are financially weak operating in an environment that has a weak policy and aggressive market completion.

Among similar studies conducted by different authors around the world Candera and Dwi (2020) in their comparative research of the financial performance by Indonesian Islamic banking before and during the COVID 19 pandemic have assessed secondary data from the banks using multivariate analysis of variance (MANOVA) and come up with answer to their research questions. They tested what they claimed to be the main vulnerable areas which are the effect on Non-Performing Financing (NPF), Capital Adequacy Ratio (CAR) and significance value of the Return on Assets (ROA) variables and find out that the effect of COVID 19 in Islamic banking in Indonesia did not make a significant difference both in terms of Capital Adequacy Ratio (CAR) and Return on Assets (ROA) but noted that there is a significant difference on Non- Performing Financing (NPF).

Other studies on this subject matter indicated different outcome in other part of the globe, like the one that analysed the effects of COVID 19 in the Kenyan banking sector by Ndungu (2021). This study primarily relied on data from the Central Bank of Kenya (CBK) and revealed that the adverse effect of the pandemic on the local banks was reflected predominantly on banks who have heavily lent to small and medium-sized enterprises (SME). According to Ndungu (2021) due to the measure taken by the government to prevent the spread of infection, businesses around the nation went down. Hence these small and medium-sized enterprises (SME) find themselves in a situation where they found it hard to repay their loans; as a result, the banks' loan portfolio is harmed. For the first and second quarter of 2020 fiscal year the non-performing Loans (NPL) for the largest commercial banks in Kenya have shown increment, this leads to the fall of loan portfolio of these commercial banks. While concluding, the author indicated that the pandemic has adversely affected the banking Industry in Kenya reducing revenue, increasing loan loss provision and increasing operational costs that are resulted from complying the government's regulations on the infection preventive measures.

According to Lasak (2020) on investigating the impact of this pandemic on Europe and US banking sector indicated a decline on bank's profitability in both Eurozone and United States banking sectors. The study shows a sharp drop on one of the best determinants of profitability which is Return on equity (ROE) in the second quarter of 2020 in Eurozone, and in first and second quarter in the US. These declines are the worst results for some years back in both markets. Moreover, the countercyclical lending during the pandemic along with the

contraction of the economy added more strain to the respective banking system (Demirguc-Kunt et al. 2020) cited in (Lasak 2020).

According to the study of Barua, B., et al (2021), in Bangladesh, there are findings that suggest that all banks are likely to see a fall in risk-weighted asset values, capital adequacy ratios, and interest income at the individual bank and sectoral levels. However, estimates show that larger banks are relatively more vulnerable. The decline in all three dimensions will increase disproportionately if NPL shocks become larger. These findings further show that a 10% NPL shock could force capital adequacy of all banks to go below the minimum BASELIII requirement, while a shock of 13% or more could turn it to zero or negative at the sectoral level.

But the banking sector in Ethiopia continues to show strong year-on-year growth in deposits and in lending, both of which are up around 28 percent from year-ago levels. Growth rates were even stronger at private banks (where deposits were up 40 percent and lending up 46 percent from year-ago levels), while CBE showed a slowdown in credit growth despite a 20 percent growth in deposits. The likelihood of a major NPL problem at private banks still appears very low and most banks are, in any case, well-provisioned and well-capitalized for any surprises on this front. Nine-month data suggest record levels of income and profits will be reported by both the public and private banks when they close their financial year at the end of June 2021.

According to the DB 2019/20 report, the profit before tax of the Bank reached Birr 1.8 billion by the end of June 2020 reflecting a growth by 39.9% compared to last year same period. As a result, the earning per share (EPS) stood at Birr 490 showing an increase of 20.2% compared to last year same period according to the United Nations World Economic Situation and Prospects (WESP) mid-2020 report, the global economy is projected to contract by 3.2%, against the backdrop of the devastating coronavirus pandemic.

Generally, the COVID-19 pandemic poses a significant threat to the sustainability of banks globally which is more severe in the case of developing and emerging economies where there is a lack of strong financial system as well as financial regulations (Barua and Barua, 2021). Moreover, a group of authors like Chen et al. (2020), Coibion et al. (2020) and Baldwin and de Mauro (2020) cited in (Barua and Barua, 2021) argue that the pandemic is wrecking

economies around the world in different macroeconomic aspects like production, trade flow, saving, employment and investment which may result in worsening poverty.

2.4 RESEARCH GAP

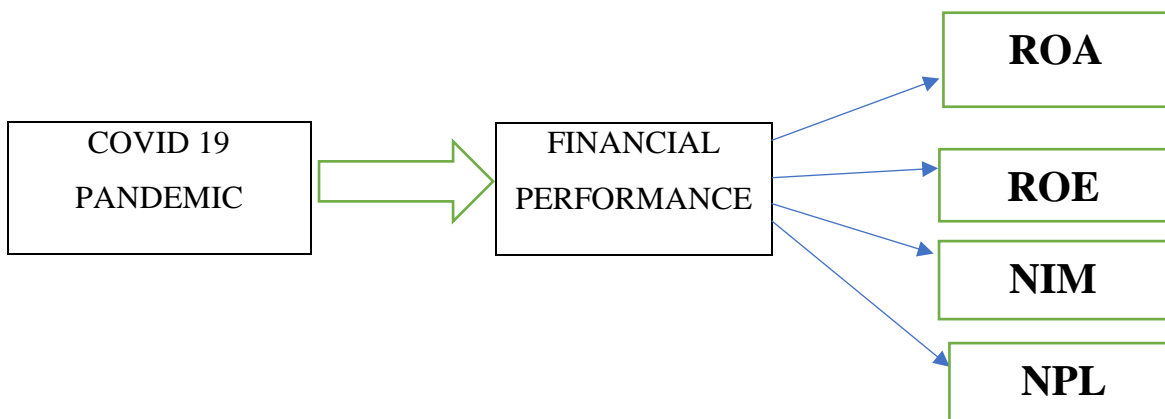
Even though a plenty of studies investigated the banks performance during covid-19 in different countries especially in the western; there is a lack of empirical evidence from the developing countries context like Ethiopia. Only a limited studies had been conducted in the area from developing countries as far as the researcher knowledge is concerned e.g. Nigeria, Lebanon, South Africa, Pakistan, Jordan. Again, prior researches have documented inconsistent results on the evidence of the linkage between audit fee and its proxy.

Having all these facts, the current study has something to minimize the vacuum or the knowledge gap available in banks performance during covid-19 in Ethiopia. Specifically, this study tries to incorporate risk factor and this should add some value to the recent need of having this study. To the best of the researcher's knowledge there are no prior studies on the bank's performance during the pandemic.

2.5 CONCEPTUAL FRAMEWORK

From the theoretical and empirical literature review and the following conceptual relation between bank performance and COVID-19 influence is formulated in figure 2.2

Figure 2.2 Conceptual Framework.



Source: researcher developed from literature review, 2021.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This section elaborates in detail the research approach & design, sampling techniques, data type & data sources and methods of data analysis.

3.1 Research Approach

The research employed the explanatory research approach using both qualitative and quantitative data (i.e., mixed approach). According to Creswell (2003) each approach has limitations which are possible to be minimized using the combined research Approach. Due to the nature of financial data and how it can be processed using ratio formula this research was used a quantitative approach and to analyse some unstructured key informant interviews a qualitative approach was used. Thus, the researcher planned to use mixed approach for analytical purposes depending on the nature of the data obtained.

3.2 Research Design

As mentioned in the objective of this study, the aim of this research is to assess COVID 19 on the banking performance specific to Dashen bank S.C. Thus, the researcher was used descriptive design, because as Swatzell and Jennings (2007) indicated that descriptive research is suitable for answering research questions like, what, when, where, and how. He also indicated that this design helps to describe relationships between variables. Thus, the researcher chooses descriptive research design as the basic concern of this study is to assess and answer the question, how COVID-19 affected the profitability and performance of the Dashen Bank

3.3 Population and Sampling design

The main focus of this study and target population is commercial banks that are participants in Ethiopian financial sector specifically Dashen bank. According 2019/20 Dashen bank annual report, the bank has 423 Branch and totally employed 9,970 individuals. The bank prepares annual consolidated financial statement from all branch at head quarter level. Hence, the centralized data archive of the bank can provide all the necessary information from all branches. The study used quarterly time Series financial data to evaluate the performance of the bank pre covid and during covid-19 for the period 2017/18 to 2020/21 Fiscal year (FY).

To selected key informant interview, the researcher used purposive sampling procedure. Purposive sampling represents a group of different non-probability sampling techniques. Also known as judgmental, selective or subjective sampling, purposive sampling relies on the judgement of the researcher when it comes to selecting the units of study (e.g., people, cases/organizations, events, pieces of data) that are to be studied. Accordingly, the key informants that are interviewed are higher officials in the hierarchy of the bank who have massive knowledge and contribution, most importantly those who are volunteers to be part of current study.

Therefore, the interview was conducted with 11 employees of the bank who are at the higher levels of the hierarchy and different departments in the headquarters of the bank. These participants are chosen based on their exposure to sources of key information and also, they are believed to have experience and relevant observations.

3.4 Type of Data and Methods of Data Collections

For this study both quantitative and qualitative types of data from both primary and secondary sources was used. Based the nature this research, the researcher mainly used secondary data gathered directly from the bank both physically by receiving the data on person and virtually by obtaining the data from the website of the bank. In addition to this secondary data, the researcher, as mentioned above collected primary data via unstructured key informant interview.

Dashen Bank as every other bank in the nation publishes and announces its financial report annually to stakeholders including the public based NBE regulatory requirements, so all financial statements of the bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

For the purpose of this study the researcher gone beyond just the annual report as a research data, and instead the data was gathered more in detailed quarterly financial reports which are useful to made pre and post covid comparison on quarterly basis. Moreover, as supportive data, the researcher also used primary data collected via unstructured key informant interview to fill the gap of the secondary financial data limitation. The investigator has also used IFRS based three main financial statements elements DB such as statement of financial position, statement profit and loss statement of retained earnings.

3.5 Data Analysis Methods

The data collected from different sources is analysed using quantitative model bank Financial as leading data analysis method of the study. Particularly, *in* order to analyse the effects of the pandemic on the bank's performance, the research employed financial ratio comparative analysis technique, mainly using Return on Equity (ROE), Return on Assets (ROA), Net Interest Margin (NIM) and Nonperforming Loan (NPL) and then the result is presented using charts, graphs and tables. To summarize qualitative data from key informant interview, qualitative narrative methods were employed.

3.6 Formula and Ratio analysis

The nature of this study primarily relies on the use of quantitative method as it is more of a numerical data than words. Thus, the researcher was effectively utilized quantitative method in order to analyse the financial data gathered from the bank. The financial statements were analysed and prepared for ratio analysis, then presented in a tabular form respective to each quarter of the fiscal year. Then it is presented graphically in a manner that the trend of how the performance of the bank goes before and during the pandemic will be visible. The study used performance measurement ratios ROE, ROA and ratio that determines profitability NPL and NIM. As a distantly secondary method, the researcher is implemented qualitative method to evaluate the unstructured key informant interview responses which were helpful for some clarification purposes.

The following four ratio are used in data presentation and discussion

1. Return on Equity (ROE)

$$\text{ROE} = \text{Net income} / \text{Shareholders equity}$$

Higgins (2016) argues that the importance of ROE is amplified due to its ability to measure the efficiency with which a company employs owner's capital. Thus, ROE measures the earnings per dollar of invested equity capital or percentage return to owners on their investment. Despite the fact that these attributes make ROE most preferable measure of performance it has limitations under different circumstances.

2. Return on Asset (ROA)

$$\text{ROA} = \text{Net Income} / \text{Total Asset}$$

According to Higgins (2016) “ROA is a basic measure of the efficiency with which a company allocates and manages its resources. It differs from ROE; in that it measures profit as a percentage of the money provided by owners and creditors as opposed to only the money provided by owners.

3. Net Interest Margin (NIM)

Net Interest Margin (NIM) is a performance metric that is used to analyse how the bank’s investment decisions fare over its debt situations. It compares the value the bank earned from interest income, with that of the interest it pays for depositors. A positive value denotes that the bank generated income from the interest earned exceeding the interest paid (Hassan 2021).

Net interest Margin = (Interest Income-Interest Expense) / Average earning Loans and advances

4. Nonperforming Loan (NPL)

A nonperforming loan (NPL) is a loan that is considered in default or close to default and highly unlikely that the debtor will repay their debt in full. Commercial loans are considered nonperforming when the debtor didn't made any repayment of their loan within 90 days, (Drury 2021).

Non-performing loan ratio = Nonperforming Loan / Total Outstanding Loan

3.7 Validity and Reliability

The researcher understands that validity is of paramount importance while doing a research. Thus, the data gathering, analysis and interpretation of this study were conducted using a technique that is valid and acceptable so that it can measure what they have to be measured in context of commercial banks. The techniques and measures used in this study are standardized formulas are reliable and valid to measure commercial banks performance which can be verified by other researchers. More importantly the implementation IFRS for Financial accounting and reporting by DB also enhanced reliability of the financial data of the bank.

3.8 Ethical Considerations

This study was conducted in a manner that won't breach ethical responsibilities of the researcher. Concordant with Edwards' (2020) belief, that quantitative research and ethics can and do peacefully coexist. Researchers are largely aware of the problems and opportunities associated with integrating their work with ethics. Therefore, the researcher was following all the necessary steps to make sure that this study will not harm the parties who are involved. Moreover, the author is guarantee that the data obtained from the bank were following the appropriate procedures and the research will seek the bank's consent to make the research used financial data before published. The author also accepted professionally responsibility to keep the confidentiality of the bank data not to exposing to external party which may damage the bank directly or indirectly.

CHAPTER FOUR

4. DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter deals with data presentation, analysis as well as interpretation of the data collected main from the bank financial statements. The researcher collected the quarterly financial reports that are crucial for this study, covering a time span starting from the third quarter of 2017/18 to the third quarter of 2020/21. The data include the quarterly income statement, balance sheet, annual financial report and other vital financial statements. As indicated in literature the most commonly used measure of bank performance are Return on Equity (ROE) and Return on Assets (ROA). Likewise, this study uses these ratios and other ratios like Nonperforming Loan (NPL) and Net Interest Margin (NIM) to measure the Bank's performance. These ratios calculated from the financial statement of the bank are used to make a comparative ratio analysis of the bank's performance before and during Covid-19 pandemic. Since the first case of COVID-19 in Ethiopia was reported on mid-march 2020, it is almost at the end of the third quarter of 2019/20 FY.

4.2 Analysis of ROE and ROA of DB during Covid 19

The researcher has processed the collected data and filtered it in such a way that it can be calculated to obtain the ratios needed. The ratios mentioned above are obtained from the raw data collected from the bank and presented here in tabular form in annual basis. In order to make a comparison of performance in each quarter of the past four years, the tabular presentation of data is separated year by year. The tabular presentation starts from the year 2017/18, including two quarters. Since this study was conducted on the fiscal year of 2020/21, the bank could only be able to provide data for the third quarter only (Q3 of 2020/21. This is due to the fact that, by the time this data was collected the fourth quarter of the year was not ended yet. Here under are the three tables exhibiting the quarterly Return on Equity (ROE) and Return on Assets (ROA) of third quarter of fiscal **years from 2017/18 up to third quarter of FY 2020/21**. It important to note that, Fiscal year of DB is runners from July 1 till June 30 of each fiscal according to Gregorian calendrs (GC). And also Based on the NBE requirement (Proclamation No. 847/2014) DB fully implemented IFRS and the Bank has fully complied to the requirements for accounting and reporting as per local regularly requirements.

These data are obtained from the detailed quarterly financial report of the bank. Using the formulas listed in the tables, the researcher come up with these ratios shown in each quarter. As mentioned in previous parts of this study these ratios are widely used as a measure of performance in banking industry. Likewise, they are used to measure the before and during COVID-19 performance of Dashen Bank in this study.

Fiscal Year 2017/2018		Periods	
Ratios Considered	Formula	Q3 Mar	Q4 Jun
Return-on-Assets Ratio (ROA)	<i>Provisional Profit before tax/Average total assets</i>	2.5 %	0.7%
Return-on-Equity Ratio (ROE)	<i>Provisional Profit before tax/Total Equity</i>	20.8%	20.6%

Table 4.1 ROE and ROA ratios for the fiscal year 2017/2018.

Source: Author's calculation from Dashen Bank S.C Financial data, 2021

The above Table 4.1 presents Dashen bank ROE and ROA six months of FY 2017/2018 which is two years before the pandemic outbreak. From the table one can infer that the return on equity investor is all most equal in the last two quarters of 2017/18 FY. But return on total investment id declined from 2.5% to 0.7%.

Fiscal Year 2018/2019					
Ratios Considered	Formula	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun
Return-on-Assets Ratio (ROA)	<i>Provisional Profit before tax/Average total assets</i>	0.6%	1.4%	3.5%	4.3%
Return-on-Equity Ratio (ROE)	<i>Provisional Profit before tax/Total Equity</i>	5.6%	8.9%	14.0%	17.4%

Table 4.2 ROE and ROA ratios for the fiscal year 2018/2019

Source: Author's calculation from Dashen Bank S.C Financial data, 2021

Coming to FY 2018/19, a review of DB financial position reveals positive incremental performance in terms of key performance metrics of return on assets and equity as depicted in

the following tables 4.2 above. For example, the ROE and ROA time trend shows increased from Q1 to Q4 of the stated year.

Table 4.3 ROE and ROA ratios for the fiscal year 2019/2020

Fiscal Year 2019/2020		Periods			
Ratios Considered	Formula	Q1 Sep	Q2 Dec	Q3 Mar	Q4 Jun
Return-on-Assets Ratio (ROA)	<i>Provisional Profit before tax/Average total assets</i>	1.8%	1.6%	2.3%	2.8%
Return-on-Equity Ratio (ROE)	<i>Provisional Profit before tax/Total Equity</i>	7.7%	11.9%	17.1%	19.9%

Source: Author's calculation from Dashen Bank S.C Financial data, 2021

Despite covid-19 outbreak, Dashen bank excellent pay back for shareholders investment is more improved in the FY 2019/20(see table 4.3). Even better than two priors years reaching almost 20% ROE in fourth quarters of 2019/20 Here Stockholders invest to earn a return on their money, and this ratio (ROE) tells how well the bank is doing in an accounting sense. Dashen banks shareholders are earned 20% return on single birr they invested. Generally, the higher this return, the better off is the owners.

Table 4.4 ROE and ROA ratios for the fiscal year 2020/21

Fiscal Year 2020/2021				
Ratios Considered	Formula	Q1 Sep	Q2 Dec	Q3 Mar
Return-on-Assets Ratio (ROA)	<i>Provisional Profit before tax/Average total assets</i>	0.7%	1.9%	2.4%
Return-on-Equity Ratio (ROE)	<i>Provisional Profit before tax/Total Equity</i>	5.3%	14.0%	19%

Source: Author's calculation from Dashen Bank S.C Financial data, 2021

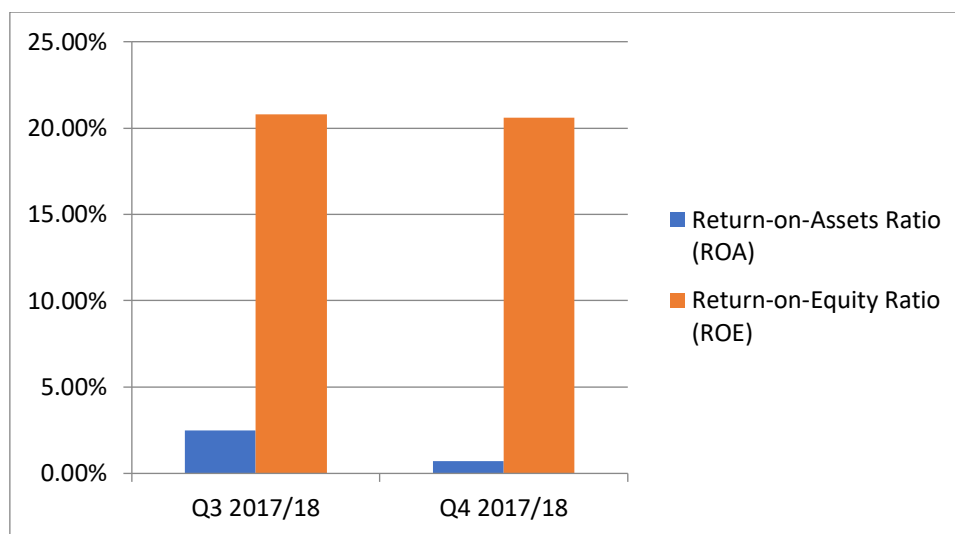
But during the period first quarter of 2020/21 FY, for the Bank Both rate of ROA and ROE is declined to the lowest **point 0.7% and 5.3% respectively**. As shown in the tables table 4.2 to 4.4 above each first quarter have a pattern low return on Equity (ROE) comparing with others. in Ethiopia business context, DB's first quarter of each year is time period between the three months of July, August and September. These months are characterized by low business activities, rainy time of year, tax payment period and low deposit and also more withdraw by customers from their bank accounts. So that this might be one reason for decline each first quarters all year's banks performance.

Added on business cycle effect, covid-19 outbreak at the end 2020 slightly affected ROE (7.7% Q1 2019/20 and 5.3% Q1 2020/21 respectively). In the same fashion the trend of Return on Assets (ROA) is declined in the first quarter of each of these years. Here we can conclude based this financial analysis the pandemic has does not significantly affected the overall profitability of the DB because of the pandemic.

4.3 Comparative analysis of ROE and ROA During pandemic

In the above tables (Table 4.1 to table 4.4) the researcher presented the ratios that can be used as measure of the bank’s performance. In this section DB performance was analysed based on the trend of the Return on Asset (ROA) and Return on Equity (ROE) of each quarter starting from Q3 of 2017/18 FY. The trend of these performance determinant ratios is presented using graphical comparative analysis, which shows the pattern as to how these two ratios occurred over the past years. To get a better comparison, each year was presented on separate graphs. The following diagrams show the pattern of how ROE and ROA are occurred through the selected fiscal periods.

Figure 4.1 ROE and ROA ratios for the fiscal year 2017/18.



Source: Author’s calculation from Dashen Bank S.C Financial data , 2021

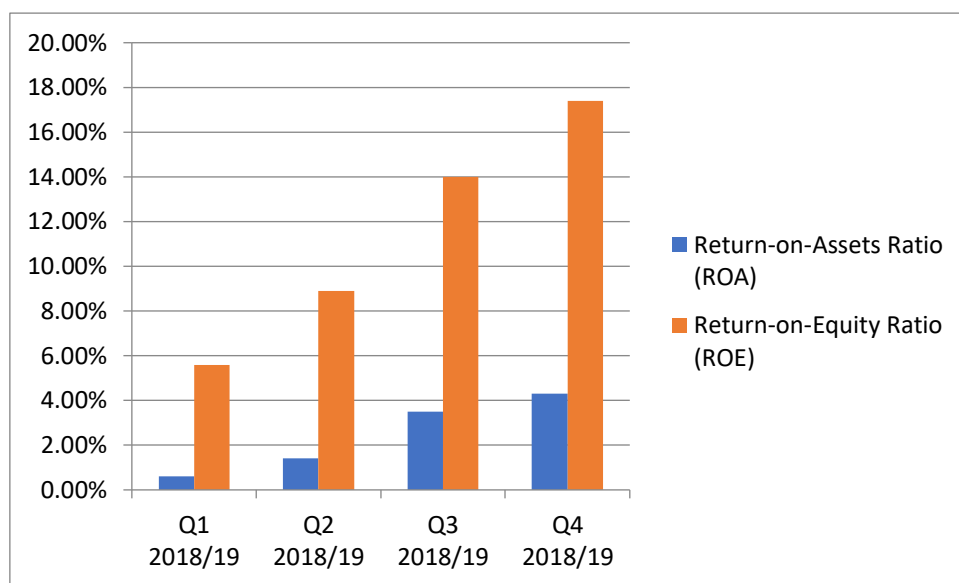
As shown in the figure 4.1 above the Return on Equity (ROE) which shows how bank share investors are generating income on their money. The figure illustrates that late quarter performance is better than early one; means fourth quarter of 2017/18 FY is shown higher profitability compared to third quarter of similar year. But On Q4, ROA it

started to decline almost 72% decreased from Q3 of 2017/18 FY. While ROE remained stable near 20% over these two quartets.

From finance perspective, the Return on Assets (ROA) it is the simplest measure of bank profitability. It reflects the capability of a bank to generate profits from its asset management functions. In this context, DB better in converting its assets to income in Q3 than Q4.

As shown in Figure 4.2 below, both ROE and ROA ratios for the fiscal year 2018/19 show incremental trend from Q1 to Q4 respectively.

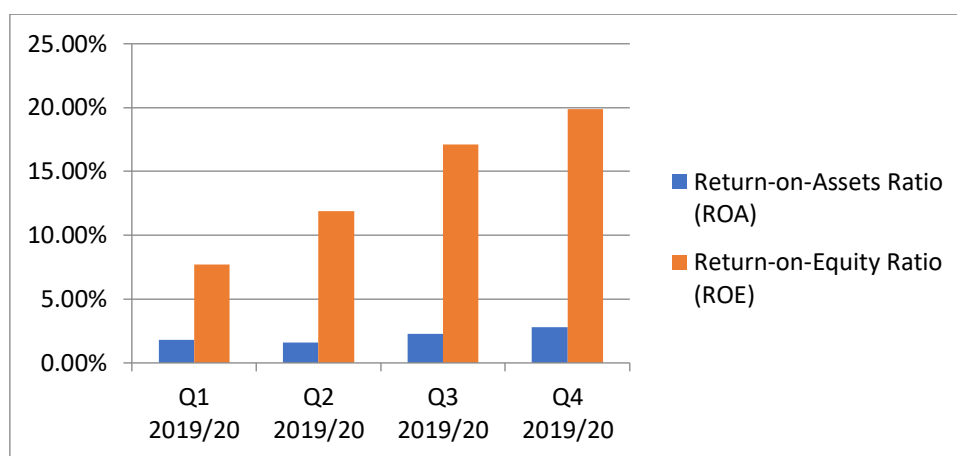
Figure 4.2 ROE and ROA ratios for the fiscal year 2018/19



Source: Author's calculation from Dashen Bank S.C Financial data, 2021

As depicted in Figure 4.3 below the Return on Equity (ROE) FY 2019/20, start to decline in the first quarter similar to the past two years in a row. It also starts increasing in the third quarter onward in the same fashion as the two preceding fiscal years.

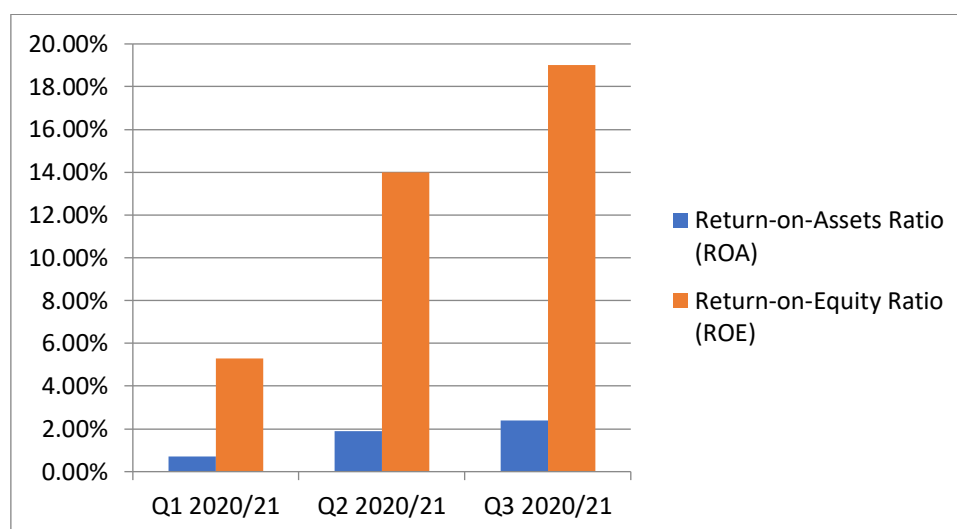
Figure 4.3 ROE and ROA ratios for the fiscal year 2019/20.



Source: Author's calculation from Dashen Bank S.C Financial data, 2021

From the above graphic data presentation one can conclude that the DB performance is started to shown increasing trend post pandemic after Q4,2019/20 FY. Here Q4, of 2019/20 is the first quarter of post pandemic financial report. Disregarding the covid-19 return on equity is shown better performance of the bank.

Figure 4.4 ROE and ROA ratios for the fiscal year 2020/21



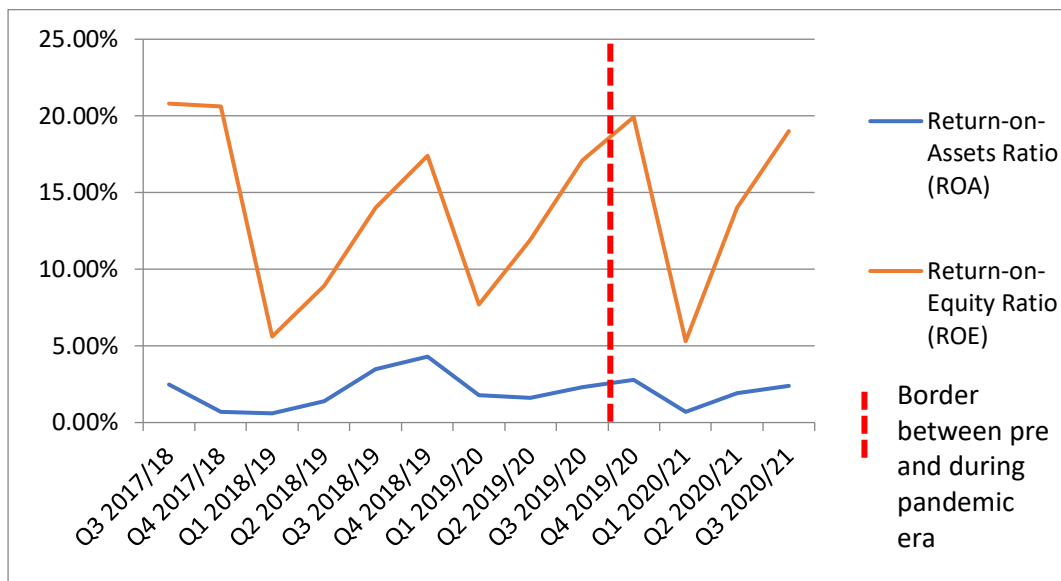
Source: Author's calculation from Dashen Bank S.C Financial data, 2021

The increase in the fourth quarter of 2019/20 FY is continued till the third quarter of the following FY 2020/21 Except for Q1, 2020/21 FY. The third quarter of the year 2020/21 which is also the fourth quarter since the beginning of the pandemic, registered the highest of the Return on Equity (ROE) of the year. Regarding Return on Assets (ROA), similar with that of the past two years, shown increasing pattern after Q3, 2019/20 FY.

As mentioned in previous parts of this study, pre Q3 of the FY 2019/20 and post Q3 of FY 2019/20 is the main focus of this study. It is the year on which the pandemic began thus, the comparative analysis takes its border in between the third and the fourth quarter of this year. As the first case of COVID-19 is reported at the end of the third quarter of 2019/20 fiscal year the performance of the bank may have shown a different pattern from this quarter onward.

As shown in the figures above combined figure 4.4, each year has a pattern of Return on Equity (ROE) with a sharp decline in the first quarter both before and during the pandemic. In the same fashion the trend of Return on Assets (ROA) which is relatively stable over these years showed a slight decline in the first quarter of each of these years. These trends show similarity in both ratios, the ROE of each year having a v-shaped pattern and when these years combined create a zigzag shaped pattern. This zigzag pattern of ROE over these four years is shown in the Figure 4.5 bellow, which depicts the trend of both ROE and ROA from the third quarter of the year 2017/18 up to the third quarter of 2020/21. In this figure it is easier to see that Return on Equity (ROE) declined in the First quarter of each year along with relatively minimum decline in that of Return on Assets (ROA).

Figure 4.5 Combined ROA and ROE ratios for 2017/18 up to 2020/21 FY



Source: Author’s calculation from Dashen Bank S.C Financial data, 2021

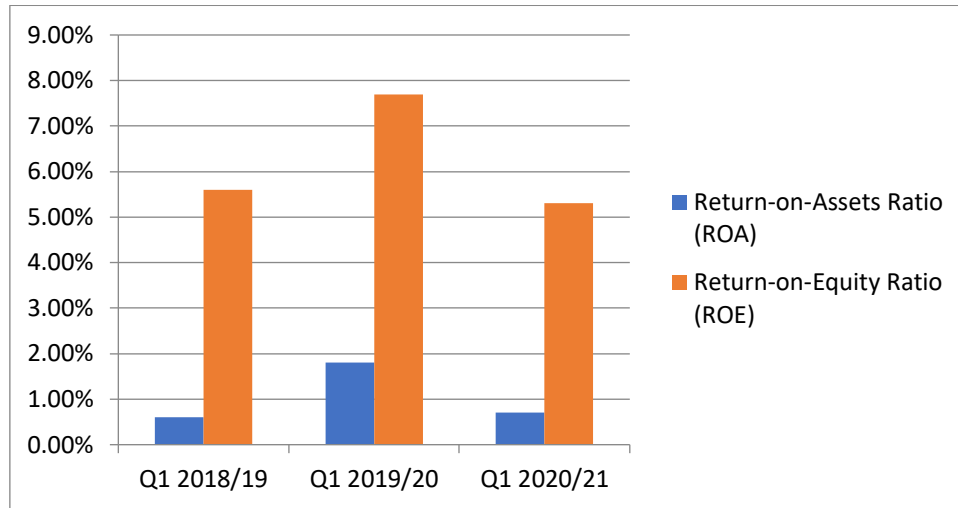
To make the comparative analysis more detailed and clearer, the researcher used graphic comparison of each quarter from all the fiscal years covered in the scope of this study. These graphic comparisons exhibit the performance of the bank over the past years before and during the pandemic considering the same quarter.

They may have their own characteristics and effect on the corporate performance of the bank but attributed to different factors other than the subject matter of this study. Because these similar trends existed long before the pandemic and may continue to exist long after.

As shown in Figure 4.6 the first quarter has a different pattern than the other three. It contributes a part on the zigzag shape of the graph that collectively display all the quarters covered in this study. Likewise, as depicted in Fig. 4.6 the first quarters have rather a strange pattern in all the three years, having the lowest of ratios in both ROA and ROE comparing with the rest of the quarters. What makes this quarter more different is that even if it is not by bigger margin the first quarter of 2020/2021, which is also the second quarter after the pandemic scored comparatively the lowest ratio of Return on Equity (ROE). On the other hand, the Return on Assets (ROA) of this quarter did not make much of a difference throughout these years. As the rest of the quarters, the first quarter of 2020/21 made neither

the minimum nor the maximum score of ratios. It is in between of those points but with a very small margin that can be considered as insignificant.

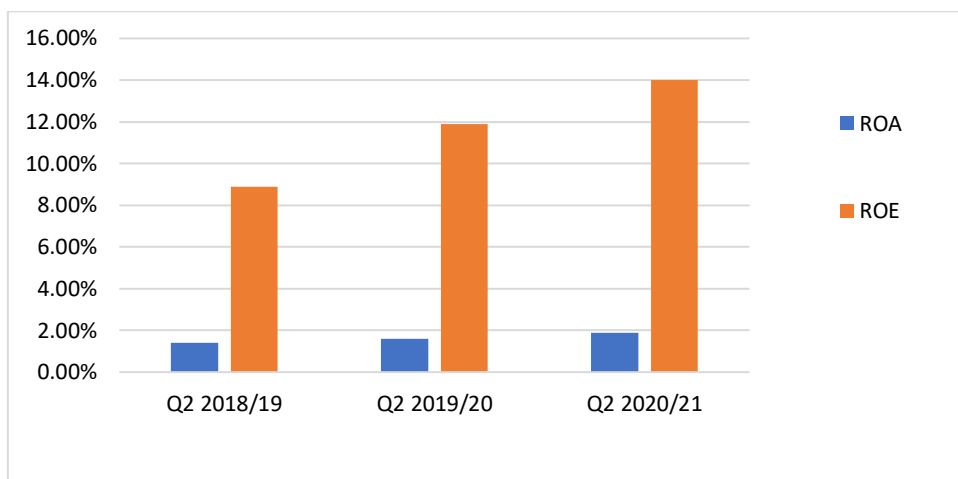
Figure 4.6 comparison of each year in the first quarter



Source: Author’s calculation from Dashen Bank S.C Financial data, 2021

The second quarters of the three years covered in the scope of this study have more implication for the researcher. Because, this quarter of the year 2020/21 is the third quarter that may reflect the effect of the pandemic.

Figure 4.7 comparison of each year in the second quarter



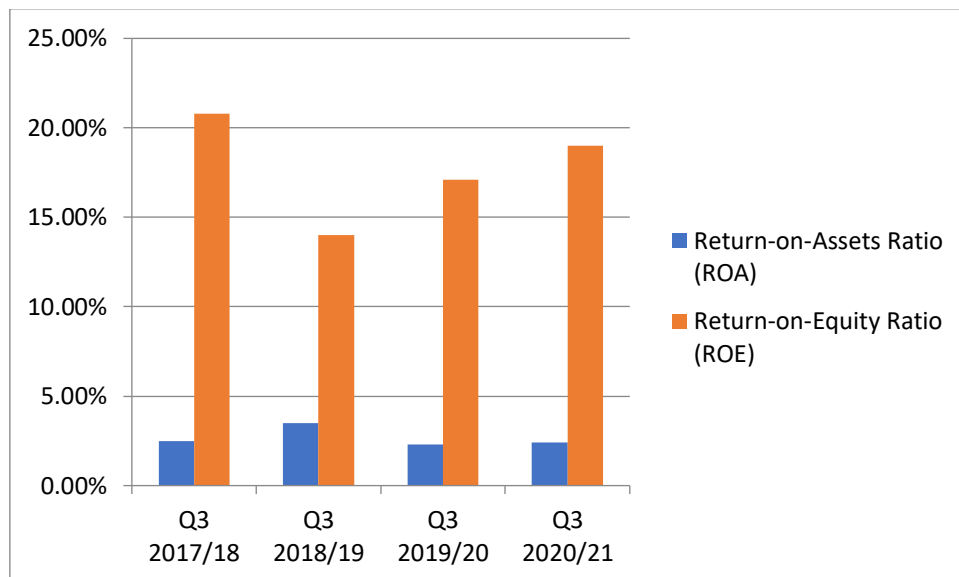
Source: Author’s calculation from Dashen Bank S.C Financial data, 2021.

The data that shows the pattern of the second quarter of each year presented in Figure 4.7 above shows a healthier progress of financial performance on a yearly basis. It shows a better

progress than any other quarter of these fiscal years in this study. The Return on Equity (ROE) of each year has increased in relatively similar pattern, and as for the year 2020/21 the second quarter means the third quarter after the pandemic. As a subject matter of this study, it is important to note that this quarter is on the increase after a slight drop in the preceding quarter. It has an implication that the decline on the preceding quarter is not attributed to the effect of the pandemic since it has been the same for the past years before the outbreak. The Return on Assets (ROA) ratios of the second quarter also have similar pattern with that of the ROE. It is on the increase by small margin throughout these fiscal years and maximum point of ratio registered in the year 2020/21. This may imply that Return on Assets (ROA) of the second quarter, which shows the bank's return on its investment is in a better shape than before. Hence, the second quarter, which is the third quarter since the pandemic shown a similar growing pattern on both ratios.

Next Figure 4.8, present comparison of each year in quarter three. In comparison with first quarters of each year, this quarter pointed out post covid recovery hope for the bank.

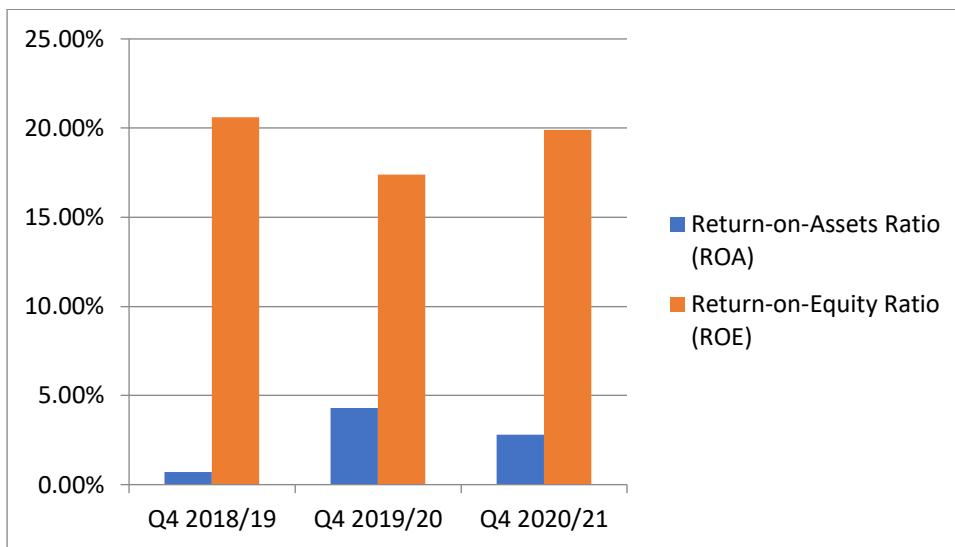
Figure 4.8 comparison of each year in the third quarter



Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

Regarding the pandemic and its effect, relatively third quarter of FY 2020/21, DB performance is slightly increased in terms of ROE and ROA (see Figure 4.8). The third quarter of 2020/21 has slightly better ratio than the preceding two years. Third quarter of FY 2020/21 is showed a recovery from COVID related shocks may be because of measures taken by the bank or as result of NBE stimuli. Means DB profitability is robust despite of pandemic shocks in mid-march 2019/20 FY

Figure 4.9 comparison of each year in the fourth quarter



Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

And again, the fourth quarter is very important. Because, this quarter of the year 2019/20 is the first quarter that may reflect the effect of the pandemic. With regard ROE, this quarter of the year 2020/21 does not have so a significant difference from the other two years. Both the minimum and maximum points of ratios were registered before the pandemic even though the margins are not considered to be significant. Moreover, the ratios for Return on Assets (ROA) in this quarter indicated once again that there is a small margin of ratio difference over these three years. While as shown above in Figure 4.9, ROE of the fourth quarter of each of the three years shows dissimilar pattern with a small-scale of ratio variance between them.

Generally, the trends shown in the graphical for all quarters' analysis imply that there is a continuous growth despite the pandemic as far as these two ratios concerned. Thus, the ratio analysis using other metric ratios is required to see if there is a significant change in these quarters. In the literature review of this study the researcher mentioned other performance measuring ratios that are employed in this study. These other ratios are used to measure the performance of the bank from another perspective.

4.4 ANALYSIS OF LEVEL OF NPL DURING COVID 19

Banks make money from a variety of sources of income. However, traditionally the main source of income for commercial banks is the interest fee they charge their debtors on the loan they provided (CFI 2015). As it is the major source of income, managing loan portfolio is of paramount importance for any commercial bank so as to be profitable. Likewise, one of the ratios considered by this study is the Nonperforming Loan (NPL) of the bank. As mentioned in the theoretical review of this study, a Nonperforming Loan (NPL) is a loan that is considered in default or close to default, or when it is highly unlikely that the debtor will repay their debt in full. A loan is considered nonperforming, when the debtor didn't make any repayment of their loan within 90 days (Drury 2021). In this regard, the financial report obtained from Dashen Bank provided the data for the principal, the interest and the doubtful or bad loans that are considered as nonperforming. Hence, from this data the researcher sorted out the ratios for Nonperforming Loan (NPL) of each quarter. The input and the outcome of the data are shown in yearly which further divided in quatres in tables below. These ratios indicate how well the bank managed its loan portfolio, and also determine the profitability of the bank.

As shown in the Tables 4.5 to Table 4.7 the total outstanding loan and the total amount of loan that are considered to default are collected in each quarter of the fiscal years. Then the NPL ratio obtained using the formula; $NPL = \frac{\text{Nonperforming Loan}}{\text{Total Outstanding Loan}}$. From the ratios obtained for each quarter it is possible to see how the bank is managing its loan portfolio. It also helps to see whether there is a significant change of trend in loan repayment during the pandemic.

Table 4.5 Nonperforming loan FY 2017/18(in Billion)

FY 2017/2018	Q3 March	Q4 June
Total Outstanding Loan	21.18	20.70
Nonperforming Loan Total	0.39	0.35
Nonperforming Loan Ratio	1.8%	1.7 %

Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

All the thirteen quarters covered in this study recorded a Nonperforming Loan (NPL) ratio less than 2%. It is important to note that NPL is negatively related to bank's profitability. The higher the ratio of NPL the more it is risky for the bank to collect its loan from debtors. As shown in Table 4.5 the maximum point of NPL recorded is 1.81% in the third quarter of 2017/18, and the minimum point (1.31%) was recorded ironically in the fourth quarter of 2019/20 FY.

Table 4.6 Nonperforming loan 2018/19(in Billion)

FY 2018/2019	Q1 September	Q2 December	Q3 March	Q4 June
Total Outstanding Loan	25.11	28.56	29.67	33.03
Nonperforming Loan Total	0.41	0.43	0.46	0.47
Nonperforming Loan Ratio	1.6%	1.5%	1.53%	1.41%

Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

. This indicates that, even if it is by minimum of margin difference, the bank managed its loan portfolio better during the pandemic than before it. Although these two quarters hold the maximum and minimum points of NPL ratios, the difference between them is insignificant.

Table 4.7 Nonperforming loan 2019/20(in Billions)

Year 2019/20	Q1 September	Q2 December	Q3 March	Q4 June
Total Outstanding Loan	37.28	40.89	41.48	42.91
Nonperforming Loan Total	0.51	0.59	0.64	0.57
Nonperforming Loan pc	1.35%	1.44%	1.54%	1.31%

Source: Author's calculation from Dashen Bank S.C Financial data, 2021

4.5 Comparison of NPL during Covid 19

The pattern of Nonperforming Loan (NPL) over the years shown in Figure 4.9 exhibits that the bank managed its loan portfolio remarkably, averaging just 1.56% ratio of loan in default. As mentioned in chapter two of this study nonperforming loan (NPL) is one of the indicators of profitability and solidity in banking industry (Stuti and Bansal 2013) cited in (Ljube 2017).

Table 4.8 Nonperforming loan 2020/2021 FY.

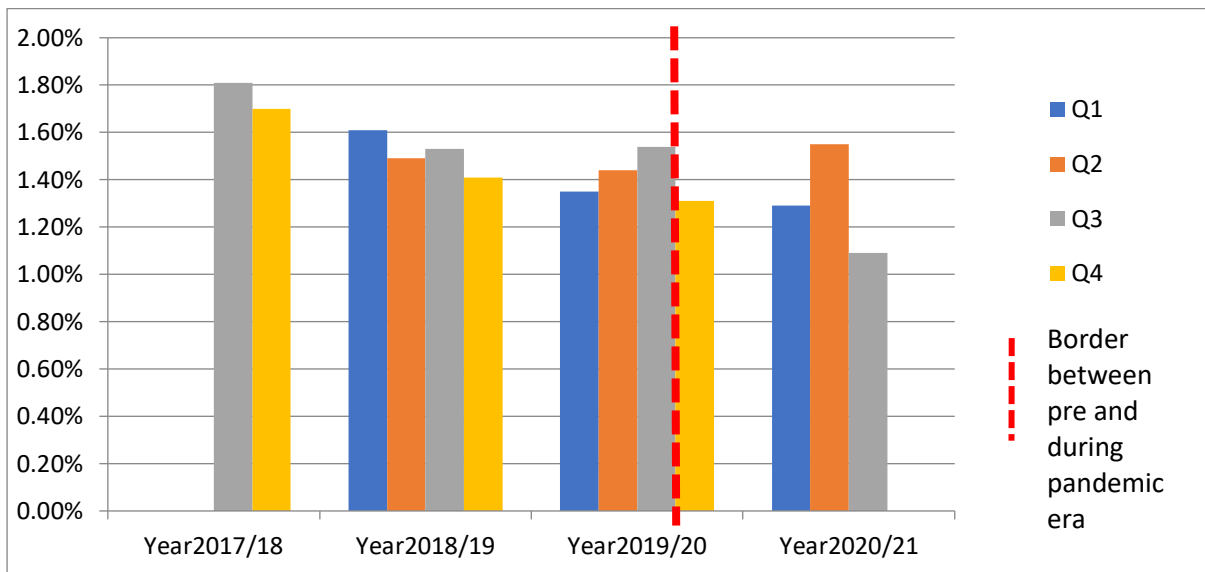
Year 2020/21	Q1 September	Q2 December	Q3 March
Total Outstanding Loan	48.01	41.44	59.37
Nonperforming Loan Total	0.62	0.64	0.65
Nonperforming Loan Ratio	1.29%	1.55%	1.09%

Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

Therefore, the researcher used this ratio to check whether there was high amount of default in loan portfolio of the bank due to the effect of the pandemic. If there is an increase on the ratio of Nonperforming Loan (NPL), it indicates that more amount of the loan is remained

uncollected on time. This will negatively affect the bank’s profitability, since the principal source of the bank’s income is generated from its interest earnings. Except for the fourth quarter of 2019/20 the loan repayment record of the bank during the pandemic is in a better shape than all the other quarters before that. Showing that, despite the hardship in the economy the bank performed well in managing its loan portfolio.

Figure 4.10 Nonperforming Loan trend from 2017/18 to 2020/21.



Source: Author’s calculation from Dashen Bank S.C Financial data, 2021

4.6 Net Interest Margin and Interest income of the bank for performance measures

AS mentioned in theoretical review of this study the most commonly used ratios of measuring performance for banking sector are the ratios discussed above which are Return on Asset (ROA), Return on Equity (ROE) and Nonperforming Loan (NPL).

Table 4.9 other income ratios of 2017/18 fiscal year

Fiscal Year 2017/18		Periods			
Ratios considered	Formula	Q3 2017/18	Mar 2017/18	Q4 2017/18	Jun 2017/18
Net Interest Margin	$(\text{Interest Income} - \text{Interest Expense}) / \text{Average earning Loans and advances}$	9.1%		2.0%	
Interest income to total income	$\text{Interest Income} / \text{Total Income of the Bank}$	75.2%		75.8%	
Non-Interest Income to Total Income	$\text{Non-Interest Income} / \text{Total Income of the Bank}$	24.8%		24.2%	

Source: Author's Calculation from Dashen Bank S.C Financial data, 2021.

In addition to these ratios the researcher uses other ratios that have the ability to indicate the profitability of the bank. Net interest margin (NIM) as mentioned in literature review of this study, reveals the amount of money that a bank is earning in interest on loans compared to the amount it is paying in interest on deposits.

Table 4.10 other income ratios of 2018/19 fiscal year

Fiscal Year 2018/19		Periods							
Ratios considered	Formula	Q1 2018/19	Sep 2018/19	Q2 2018/19	Dec 2018/19	Q3 2018/19	Mar 2018/19	Q4 2018/19	Jun 2018/19
Net Interest Margin	$(\text{Interest income} - \text{Interest Expense}) / \text{Average earning Loans and advances}$	2.4%		4.8%		8.9%		9.2%	
Interest income to total income	$\text{Interest Income} / \text{Total Income of the Bank}$	78.1%		77.3%		77.1%		77.1%	
Non-Interest Income to Total Income	$\text{Non-Interest Income} / \text{Total Income of the Bank}$	21.9%		22.7%		22.9%		22.9%	

Source: Author's Calculation from Dashen Bank S.C Financial data, 2021.

It is a measure of the difference between interests paid and interest received, adjusted for the total amount of interest-generating assets held by the bank (Ross 2019). The tables bellow shows the Net interest margin (NIM) of the bank, and the other two ratios indicate how much

of the bank's income is generated from the interest it earned from loan and how much is from other services it provides to its customers.

Table 4.11 other income ratios of 2019/20fiscal year

Fiscal Year 2019/20		Periods			
Ratios considered	Formula	Q1 Sep 2019/20	Q2 Dec 2019/20	Q3 Mar 2019/20	Q4 Jun 2019/20
Net Interest Margin	$(\text{Interest income} - \text{Interest Expense}) / \text{Average earning Loans and advances}$	2.6%	5.1%	7.7%	9.8%
Interest income to total income	$\text{Interest Income} / \text{Total Income of the Bank}$	73.4%	78.9%	79.2%	81.1%
Non-Interest Income to Total Income	$\text{Non-Interest Income} / \text{Total Income of the Bank}$	26.6%	21.1%	20.8%	18.9%

Source: Author's calculation from Dashen Bank S.C Financial data, 2021

As mentioned above the main source of income for commercial banks is the interest fee, they charge their customers on the loan they provided (CFI 2015). Figure 4.10 shows the trend of the Net Interest Margin (NIM) of the bank every quarter of the fiscal years covered in this study. The trend in the Net Interest Margin (NIM) ratio shows a similar pattern with that of the Return on Equity (ROE) discussed above. All the quarters have a reflection of the pattern shown in the Return on Equity (ROE) ratio both before and during the pandemic. The lowest points were recorded in the third quarters of all the fiscal years and increasing in the fourth quarter in the same fashion. Moreover, the highest margin was recorded during the pandemic at the second quarter of 2019/20 which is the first quarter after the pandemic.

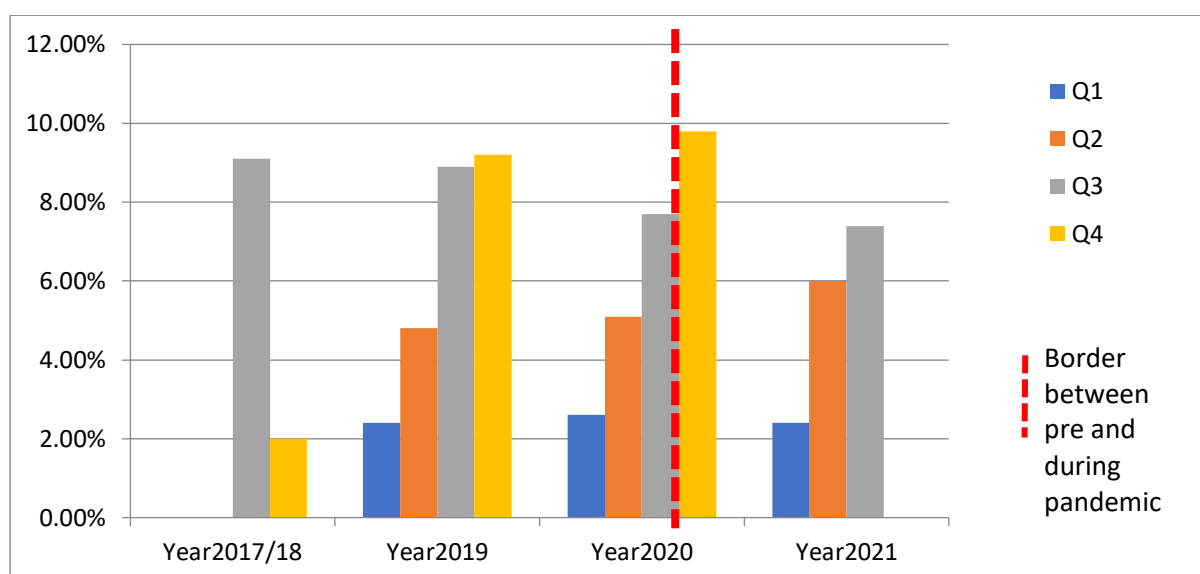
Table 4.12 other income ratios of FY 2020/21.

Fiscal Year 2020/2021		Periods					
Ratios considered	Formula	Q1 2020/21	Sep 2020/21	Q2 2020/21	Dec 2020/21	Q3 2020/21	Mar 2020/21
Net Interest Margin	$(\text{Interest income} - \text{Interest Expense}) / \text{Average earning Loans and advances}$	2.4%		6.0%		7.4%	
Interest income to total income	$\text{Interest Income} / \text{Total Income of the Bank}$	85.5%		78.7%		88.1%	
Non-Interest Income to Total Income	$\text{Non-Interest Income} / \text{Total Income of the Bank}$	14.5%		21.3%		11.9%	

Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

This indicates that despite the pandemic, the bank managed to continue making the usual profit out of the interests it charges on loans.

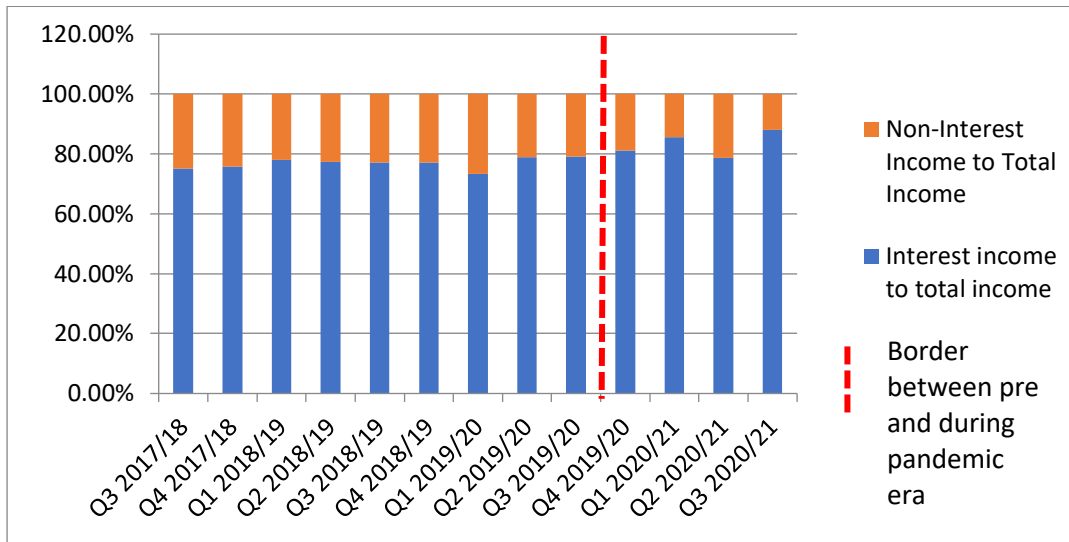
Figure 4.11 Net Interest Margin (NIM) of all quarters of fiscal years in study



Source: Author's calculation from Dashen Bank S.C Financial data, 2021

In the figure 4.12 below the comparison of the bank’s source of income based on whether it is from the loan interest or from other services is presented. Unsurprisingly the vast majority of the bank's income was generated from loan interests, which is the traditional source of income for the banking industry.

Figure 4.12 comparison of non-interest and Interest income of the bank



Source: Author’s calculation from Dashen Bank S.C Financial data, 2021

The pattern shows that there is a similar trend before and during the pandemic on the source of the bank's income not making any significant shift from one source of income to the other. The final three quarters, although not significant, indicated growth on interest income implying that the bank continues to maximize its revenue out of loan interest. In this modern era of banking, there are different sources of income for banks and as mentioned above the principal source is interest earning. Other sources of income which are not interest related for Dashen Bank and other banks in the industry include, fees charged on different services that the bank provide.

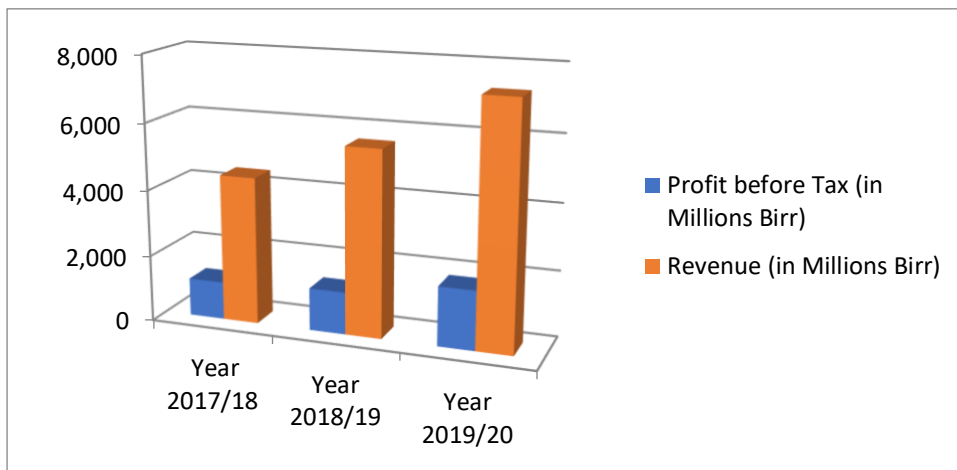
4.7 Analysis of profitability of the bank during pandemic

4.7.1. Revenue and profit before tax

The selected data from the bank’s annual report of the past three years that are considered in this study are presented in the figures bellow. In Figure 4.13 the bank's yearly total revenue and profit before tax are shown in a graph that indicate continuous growth in both aspects.

The data shows that the year 2019/20 registered a much higher growth in total revenue at a rate of 30.2% exceeding the previous year's growth rate of 26.2 %. This shows that even during the pandemic the bank managed to increase its revenue by a better margin than the preceding fiscal years. In terms of Profit, which is the main objective of every commercial organization the study analyses data obtained from the bank's website that shows the profit before tax of the past three years. The profit before tax of the bank presented in Figure 4.12 from the year 2017/18 up to 2019/20 also shows growth in each year indicating the profit before tax of the year 2019/20 exceeds the preceding fiscal year by 39.9%. During the pandemic the bank recorded a better profit growth that exceeds the profit growth in the year 2018/19, which was 11.9% showing a double figure growth in profit before tax during the pandemic.

Figure 4.13 Profit and revenue of the past three years



Source: Author's calculation from Dashen Bank S.C Financial data, 2021.

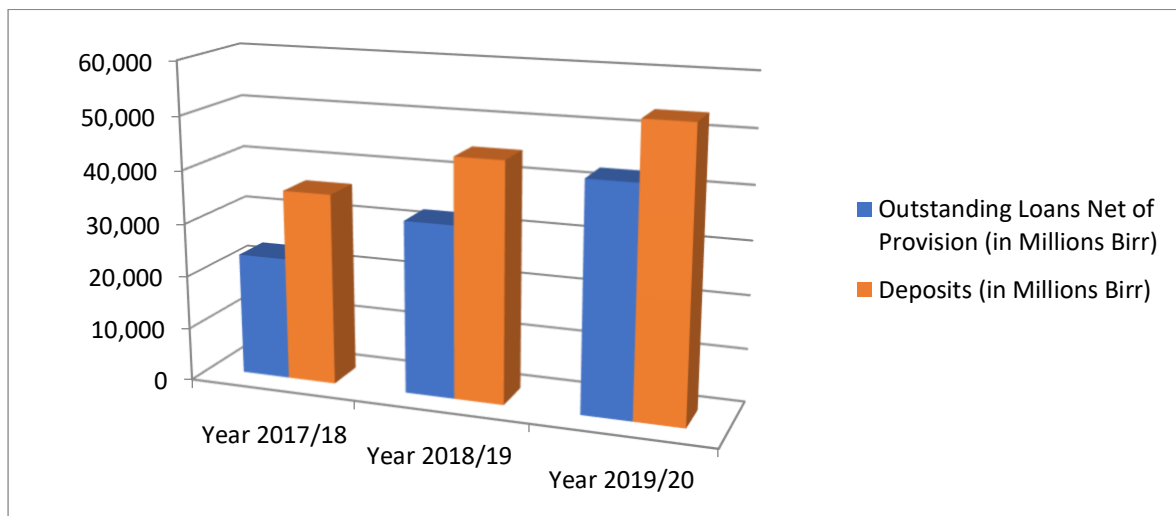
This finding is supporting the argument of Feyen et al. 2020, governments stepped in to support the real economy, which indirectly benefitted banks and the monetary and regulatory policy responses were swift and radical to strengthen the resilience of the financial system including by banking sector.

4.7.2 Loan and Deposit

The annual report of the bank indicated that both deposit and loans are increasing on yearly basis (see Figure 4.14 below), in the year 2019/20 the bank registered an outstanding loan net

of provision growth at 31.6% which is inferior to the year before. In 2018/19 the outstanding loan net of provision has grown by 40.3% compared to 2017/18 indicating an increase that is better than during the pandemic. According to the annual report of the bank deposits made by clients of the bank have also shown a consistent growth each year. In 2019/20 the amount of deposit has grown by 19.6% came a little short of the year before which has grown by 24.2%. Generally, the bank has registered growth in both loan and deposit each year including at the time of the pandemic. What makes the growth in loan and deposit different for the bank is that, there is a slight decrease of growth rate margin during the pandemic as compared with the pre-pandemic era. This decrement of growth rate in the year 2019/20 is considered insignificant due to the fact that, even if there is a sign of slowing down, there is an increment of total loan and deposit compared to the preceding years.

Figure 4.14 Loan and deposit of the past three years



Source: Author's calculation from Dashen Bank S.C Financial data, 2021

4.8 Qualitative Data analysis from Key Informants interview

The numeric data collected from the bank can give a good glimpse as to how the bank is performing over the years, but for clarity purposes and seeking more insight the researcher managed to have unstructured key informant interview. The interview was conducted with 11 employees of the bank who are at the higher levels of the hierarchy and different departments in the headquarters of the bank. These participants are chosen based on their exposure to

sources of key information and also, they are believed to have experience and relevant observations. The researcher planned to have interview with at least fifteen key informants who are assumed to provide a worthy input to the study but due to the nature of their work and occupations, managed to only eleven.

According to Marshall (1996) cited in Cossham (2019) key informants are knowledgeable, willing to participate, communicative, impartial and have a role in the research target area or have a good understanding and expertise on the information that the researcher is seeking. Likewise, the key informants participated in this interview are all from the headquarters of the bank and have a first-hand information on the operation of the overall company's departmental activities. Credit to the willingness of all the participants sacrificing their precious time on this interview, the researcher managed to obtain some purposeful information on the subject matter of this study which is briefly summarized as follows. As an introductory question of how well the participants understand the nature and characteristics of COVID 19, unsurprisingly all have a consensus on what it is, how it transmitted and how to protect themselves and others. All the respondents answered that the bank does not make a dedicated performance measure regarding solely the impact of COVID-19 on the corporate performance and profitability of the bank. Majority of them gave reason that the issue has not been considered as a bigger of a threat at least until now and the novelty of the virus and the fact that it is unprecedented made the bank to be unprepared. Eight of the eleven respondents strongly believe that knowing the possible effect of the pandemic on the bank's performance can make a difference in future performance. The other three considered it as unworthy of the time and the budget that will be allocated for the cause. For the question on whether the bank has mitigation plan for situations like this, all have responded that the bank did not have a specific mitigation plan for situations like this. The bank makes a reactive mitigation plan in order to minimize the effect of the pandemic on the operation of the bank. Some of those plans as described by the interviewees are facilitating trainings on how to protect oneself from the virus, arranging a shift on working hours in order to minimize the risk of infection due to lack of physical distancing, and provide aid to the most vulnerable part of the community. Also, among others measures include taking internal environment safety precautions, encouraging digital transactions by waiving commission fees on transactions through POS terminals and ATMs, support borrowers adversely affected by COVID 19 by reducing different service charges and interest rates and conducting renegotiation and rescheduling based on customers unique circumstances.

For the question on what they think are the impact of the pandemic on the profitability and performance of the bank, most answered that they did not notice a significant change that can be attributed to the pandemic. Rather, they said that they have noticed changes on operational performance during the recent financial reformation of the national bank which includes the change in currency notes. When asked about which operation or activity of the bank do, they believe affected by the pandemic, seven out of twelve answered that they believe, in the first few weeks of the pandemic deposits declined along with new loan requests. Even new loans which are under process were put on hold by the clients. Generally, almost all the respondents believe that until third quarter of 2019/20 the pandemic did not make a significant effect on the bank's performance and profitability.

CHAPTER FIVE

5. Summary of Findings, Conclusions and Recommendations

This chapter summarizes the findings of the study; made conclusions out of the basic findings and present recommendations for any concerned parties.

5.1. Summary of major findings

The principal objective that this study tried to attain is to make an empirical assessment to find out the effect of COVID 19 on the performance and profitability of the banking sector specific to Dashen Bank S.C. The researcher collected the data that are vital for the study following a formal way of secondary data collection process directly from the head quarter of the bank .and the researcher used the bank's website for annual financial data, furthermore; non-structured key informant interview is employed to solidify the findings.

Dashen bank ROE and ROA six months of FY 2017/2018 which is two years before the pandemic outbreak. The return on equity investor is almost equal in the last two quarters of 2017/18 FY that is 20.8% and 20.6%. But return on total investment id declined from 2.5% to 0.7%.

Coming to FY 2018/19, a review of DB financial position reveals positive incremental performance in terms of key performance metrics of return on assets and equity. The ROE shows 5.6%, 8.9%, 14.0% and 17.4%, from Q1 to Q4, respectively. The ROA shows 0.6%, 1.4%, 3.5% and 4.3%, from Q1 to Q4, respectively. The ROE and ROA time trend shows increased from Q1 to Q4 of the stated year.

Coming to FY 2019/20, The ROE shows 7.7%, 11.9%, 17.1% and 19.9%, from Q1 to Q4, respectively. The ROA shows 1.8%, 1.6%, 2.3% and 2.8%, from Q1 to Q4, respectively.

During 2020/21, The ROE shows 5.3%, 14%, and 19%, from Q1 to Q3, respectively. The ROA shows 0.7%, 1.9% and 2.4%, from Q1 to Q3, respectively. The ROE and ROA of Dashen Bank time trend shows increased from Q1 to Q4 of the stated year.

During the FY of 2017/18, the NPL shows 1.8% and 1.7%, in Q1 and Q2, respectively. Coming to FY 2018/19, The NPL shows 1.6%, 1.5%, 1.53% and 1.41%, from Q1 to Q4, respectively. Coming to FY 2019/20, The NPL shows 1.35%, 1.44%, 1.54% and 1.31%, from

Q1 to Q4, respectively. During 2020/21, The NPL shows 1.29%, 1.55%, and 1.09%, from Q1 to Q3, respectively.

During the FY of 2017/18, the NIM shows 9.1% and 2.0%, in Q1 and Q2, respectively. And also Interest income to total income is 75.2% and 75.8%, in Q1 and Q2, respectively. Coming to FY 2018/19, The NIM shows 2.4%, 4.8%, 8.9% and 9.2%, from Q1 to Q4, respectively. And also Interest income to total income is 78.1%, 77.3%, 77.1% and 77.1%, in Q1 to Q4, respectively. Coming to FY 2019/20, The NIM shows 2.6%, 5.1%, 7.7% and 9.8%, from Q1 to Q4, respectively. During 2020/21, The NIM shows 2.4%, 6.0%, and 7.4%, from Q1 to Q3, respectively. And also Interest income to total income is 85.5%, 78.7%, and 88.1%, in Q1 to Q3, respectively.

The selected data from the bank's annual report of the past three years that are considered in this study are presented in the figures below. The bank's yearly total revenue and profit before tax are shown in a graph that indicates continuous growth in both aspects. The data shows that the year 2019/20 registered a much higher growth in total revenue at a rate of 30.2% exceeding the previous year's growth rate of 26.2%. This shows that even during the pandemic the bank managed to increase its revenue by a better margin than the preceding fiscal years. In terms of Profit, which is the main objective of every commercial organization the study analyses data obtained from the bank's website that shows the profit before tax of the past three years. The profit before tax of the bank presented in Figure 4.12 from the year 2017/18 up to 2019/20 also shows growth in each year indicating the profit before tax of the year 2019/20 exceeds the preceding fiscal year by 39.9%. During the pandemic the bank recorded a better profit growth that exceeds the profit growth in the year 2018/19, which was 11.9% showing a double figure growth in profit before tax during the pandemic.

The annual report of the bank indicated that both deposit and loan are increasing on yearly basis, in the year 2019/20 the bank registered an outstanding loan net of provision growth at 31.6% which is inferior to the year before. In 2018/19 the outstanding loan net of provision has grown by 40.3% compared to 2017/18 indicating an increase that is better than during the pandemic. According to the annual report of the bank deposits made by clients of the bank have also shown a consistent growth each year. In 2019/20 the amount of deposit has grown by 19.6% came a little short of the year before which has grown by 24.2%. Generally, the bank has registered growth in both loan and deposit each year including at the time of the pandemic. What makes the growth in loan and deposit different for the bank is that, there is a

slight decrease of growth rate margin during the pandemic as compared with the pre-pandemic era. This decrement of growth rate in the year 2019/20 is considered insignificant due to the fact that, even if there is a sign of slowing down, there is an increment of total loan and deposit compared to the preceding years.

Finally, the insight from the interview of key informants portrayed that the informants believe that the pandemic affected the bank's operation only minimally at the first few weeks of the pandemic. They claim that they noticed a slowing down of businesses during lockdown resulted on negatively affecting deposits made and loans requested by the customers on those few weeks.

5.2. Conclusion

The findings as briefly summarized above give rise to some conclusions that could be drawn from the analysis.

The data provided by the bank contained detailed financial information organized in quarterly basis as requested by the researcher, and contributed as a prime input to the findings. Using the financial ratio formulas mentioned in the previous chapter, the researcher processed the data and obtained ratios that are most commonly used to measure corporate performance and profitability of banks. Ratios such as Return on Asset (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and Nonperforming Loan (NPL) are obtained. By applying these ratios as a performance and profitability measuring components the researcher tried to analyse the financial positions of the bank before and during the pandemic. Taking COVID-19 pandemic as an independent variable and performance of the bank as a dependent variable the researcher made a comparative ratio analysis.

After a year by year and quarter by quarter comparative ratio analysis of the corporate performance and profitability between the two eras (pre-pandemic and during pandemic), the study presented notable outputs that can give a good insight on how the performance and profitability of the bank fared during these two eras.

In addition to the ratios discussed above which are primarily used as a measure of performance and profitability, the study also employed other performance determinant ratios as a supportive tool to the findings. These ratios include, interest income to total income ratio

and non-interest income to total income ratio. Moreover, for the purpose of annual review on the progress of the bank's performance, the research presented a comparable view of all the fiscal years under the study. The only fiscal year in the scope of the study that is not represented with all four quarters is the year 2020/21 and this is because by the time this study was conducted the year was only on the second quarter. Finally, the study presented summary of the findings from the unstructured key informant interviews.

The performance and profitability of the bank is on the increase regardless of the era in focus (pre-pandemic and during pandemic). Only in one quarter is that a minimum point of ratio in Return on Equity (ROE) is registered during the pandemic, which was the third quarter of 2019/20. As seen in consecutive years covered in this study, all the third quarters strangely have recorded minimum ratios of both Return on Assets (ROA) and Return on Equity (ROE). Thus, the researcher strongly believes that the minimum point of ratios registered during the third quarter of the year 2019/20 cannot be attributed to the effect of the pandemic. Moreover, the other most commonly used performance measure ratio metric, which is the Nonperforming Loan (NPL) did not make significant shift throughout these years. Implying that the bank managed its loan portfolio regardless of the era, in fact as Nonperforming Loan (NPL) and corporate performance are negatively related, the minimum point of ratio was registered in the latest quarter that this study covered which is the first quarter of 2020/21. This indicates that the outstanding loan that the bank has is on minimum risk of repayment than any of the quarters in the study, which will guarantee the bank making the intended profit out of the interest it charges on the loan it provides.

Most importantly, during the pandemic annual growth of the bank both in revenue and profit before tax outscored the preceding fiscal years by notable margins. This infers that the growth in most important objective of any business organization which is profit has even a better margin of growth than in pre-pandemic era. Furthermore, the study has also witnessed a growth in both outstanding loan and deposits even though this time the growth does not surpass the margins in the previous fiscal years. Finally, the insight from the interview of key informants portrayed that the informants believe that the pandemic affected the bank's operation only minimally at the first few weeks of the pandemic. They claim that they noticed a slowing down of businesses during lockdown resulted on negatively affecting deposits made and loans requested by the customers on those few weeks.

The COVID-19 pandemic has created unprecedented challenges on a global scale and changed the smallest details of our everyday lives. At Dashen Bank performance also slightly adversely affected especially in Q1, 2020/21 FY. The bank has taken different measures to alleviate the adverse consequences brought about by the crisis. These among others include taking internal environment safety precautions, encouraging digital transactions by waiving commission fees on transactions through POS terminals and ATMs, support borrowers adversely affected by COVID 19 by reducing different service charges and interest rates and conducting renegotiation and rescheduling based on customers unique circumstances. More importantly, the bank also benefited indirectly from the stimulus intervention measure taken by NBE such as the revoking of the National Bank of Ethiopia's Bill purchase requirement, the commencement of market-based Treasury bill auction. From a number of new directives were issued by the National Bank of Ethiopia including new rules governing movable property security, allowing foreign firms to engage in leasing business and large commercial farms for major crops among others was very vital.

Upon these empirical findings the researcher concluded that there is no significant effect shown in the overall performance of the bank while in the midst of a pandemic may sound a little unconvincing, but the researcher believes that the measure taken by the bank and NBE is minimized the adverse effect the pandemic had caused.

5.3 Recommendations

Based on the findings of the study the researcher draws recommendations to the governing body of this sector, which is the National Bank of Ethiopia (NBE) to closely monitor the progress of the banking sector in parallel with the status of the pandemic. Because the pandemic is still active and another wave may occur, this time the outcome may differ if not monitored earlier. And NBE advised to continue taking appropriate and timely economic stimulus interventions like passing bill supporting "Ease of Doing Business" rating and financial technology infrastructure development and deregulating.

Moreover, the researcher believes that Dashen Bank should consider a mitigation Risk management on future similar incidents because Covid-19 is not the only pandemic. In addition, technology remained the key in overcoming the potential challenges imposed by Covid-19 by enhancing work from home, facilitating online banking and ensuring online

conference by interconnecting all the bank management both within the bank and correspondent banking networks vital.

Moreover, overcome the challenges, DB managers better the focus on expansion of accessibility through digital and physical channels and correspondences; and consolidation of markets that show saturation. Besides, attending customers' needs have to be the prime focus of the all banks in the upcoming period.

Further research.

Due to the fact that the pandemic is an on-going phenomenon the cumulative effect may not be seen yet and need to be studied on the future. Generally, the researcher suggests more researches on the subject matter and believes that this study can be used as an input for the upcoming researches.

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Annex

Key guiding interview questions by the researcher during key informant interview.

1. How do you protect yourself and others from COVID-19 in your working environment?
2. Does your bank measure the impact of COVID-19 on its profitability and performance? If yes, since when and how often? If no, why?
3. Do you consider understanding the effect of COVID-19 on the profitability and performance of the bank an appropriate measure for future operation?
4. What do you think are the pros and cons of understanding and evaluating the COVID-19's effect on the bank's performance and profitability?
5. Does your bank have a mitigation plan on situations similar to this? If yes, is it working? If no Why?
6. What do you think are the impact of the pandemic on the profitability and performance of the bank?

