STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF ISLAMIC BANKING IN SRILANKA (SPECIAL REFERENCE TO AMANA BANK)

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ABSTRACT: The Islamic banking industry is one of the most important and growth industry of Sri Lankan economy, not only the Sri Lankan economy but whole world also. There are many banking sectors such as commercial, private and public banks working in Sri Lanka. Banking sectors are growing faster and competition.This study investigates the financial performance Amana Bank, Sri Lanka during the period of 2011-2015.Gradual development of Islamic banking had created competition among Islamic windows and conventional banks. Since Islamic banks offered products under Islamic principles, most of Muslim preferred Islamic banks rather than conventional banks. Currently, even non-Muslim prefer Islamic banking as the banks starting to offer an attractive products and services. However, some people still in doubt and argued on Islamic banks' performance. That is why, considering the performance of Amana bank, on attempt has been made in this paper to study the financial analysis of Amana bank. Researchers have rendered their knowledge to present this study on all Performance of Amana bank PLC. In this study, it is shown that various operational activities can be used in the evaluation of the operation of this Bank. This study's main objective is tostudy the current assets and current liabilities so as to know whether the shareholders and normal customers could invest in Amana Bank or notand also evaluate how effectively the bank is utilizing its assets against the industry average, as well as measure the profitability,financial positionand liquidity position of the bank. The study is based on secondary data, which covers a period of five years, i.e. 2011-2015. To analyze the data and find out Ratio analysis was used as a method of analysis.Considering the productivity ratio, current ratio, quick ratio, profitability ratio, solvency ratio. This study found through its last year (2015) performance that this bank is trying to increase its performance efficiency.The findings of the study show the fluctuation of the financial position for Amana Bank and some of their financial factors influence the financial performance of the bank. Then, it is found that the overall financial performance of Amana Bank is fluctuating in terms of liquidity ratios, asset quality ratios and profitability ratios (ROA, ROE). This study suggests a set of recommendations regarding the development and enhancing of some banking operations, which will boost the bank's profitability and improve the financial performance of the bank.

Keywords: Financial performance, Islamic Banking, Amana Bank, Private and public banks, Ratio

INTRODUCTION

The analysis was done by taking five years data of Commercial bank PLC (Ceylon) from its respective annual reports. The years have taken into consideration are from 2011 to 2015.Due to the economic conditions in the world today, Financial Statement analysis has become more important than ever before. This study analyses the financial situation of Amana Bank PLC (Sri Lanka) which Amana Bank (ABP), also Amana Bank Sri Lanka, but commonly referred to as Amana Bank, is a commercial bank in Sri Lanka. It is licensed by the Central Bank of Sri Lanka, the central bank and national banking regulator.Amana Bank is an Islamic law-compliant bank incorporated in 2009. It commenced serving the public in 2011

Financial statements plays major role in organizations decision making. Therefore, it requires thorough analysis of financial statements. So that the management can plan, organize, direct and control operations within the bank. Management obtains any information it wants about the bank's operations by requesting special purpose reports. It uses this information to make difficult decisions.Financial Statements of Amana bank from year 2011 to 2015 are evaluated and analyzed in this study. Different financial analysis forms such as Horizontal analysis, Vertical analysis, Trend Analysis and Ratio analysis are used for the analysis. With the results and observations, the analysis concludes with recommendations.Financial statement analysis could be carried out using different forms which are serving a specific purpose of the complete financial analysis of a bank. Major ones of those forms are; Horizontal Analysis (Comparative), Vertical Analysis (Common Size Percent) and Ratio Analysis. How we evaluate the data and analyze the financial position of Amana bank PLC using their Financial Statements of 2011 to 2015which were extracted from their annual reports.

REVIEW OF LITERATURE

It is important which the researches must be familiarized with its concepts and conclusions already evolved by earlier researchers. It also enables the present researchers find out the scope for further study and to frame appropriate objectives for the proposed evaluation. Since the proposal of the study is to measure the Study of Financial Performance Analysis at Amana Bank. The previous studies in this area of researches are briefly reviewed. But the nofigure thing is that there has been no study on the Performance Appraisal of Amana Bank. It also includes the opinions expressed by various authors in leading articles, journals, books etc.

G.Foster in his study of financial analysis stated that "it is the process of identifying the financial strength and weakness of the bank by properly establishing relationship between the item in the balance sheet and the profit and loss account. Financial analysis can be undertaken by management of the banks, or by parties outside the bank, owners, creditors, investors and others. **Dr. Prasanta Paul** (2011) in their paper, "financial performance evaluation – A Comparative study of some selected "NBFCS" found that selected companies differ significantly in terms of their financial performance indicators from one to another may be for so different services they provide. **Dr. K. Srinvas**(2010) in their paper "Pre and Post Merger financial performance of merged Banks in India"- A selected study is conducted and analysis the financial performance of Bank of Baroda, Punjab National Bank, Oriental Bank of Commerce, HDFC Bank, ICICI Bank and Centurions Bank of Punjab. Then found that the private sector merged banks performed well as compared to the public sector merged banks. **Munawar Iqbal (2001 and 2004)** compares Islamic and conventional baking in the Nineties and included 12 banks in his study sample. He calculated the development of Islamic banking industry during 1990-98 and found that capital asset ratio, liquidity ratio, deployment ratio, cost/income ratio, profitability ratio, return on asset and return on equity ratio and concluded that both return on assets (ROA) and return on equity (ROE) for the Islamic banks are substantially higher than the conventional banks. **Gopinathan (2009)** has presented that the financial ratios analysis can spot better investment options for investors as the ratio analysis measures various aspects of the performance and analyzes fundamentals of a bank or an institution. **Ho and Zhu (2004)** have reported that the evaluation of a bank's performance has been focusing the operational effectiveness and efficiency, which might influence the bank's survival directly. The empirical results of the researches (Raza et al., 2011; Tarawneh, 2006) explained that a bank, which has better efficiency, it does notalways mean that it will show the better effectiveness. **Alam et al (2011)** study concludes that ranking of banks differ as the financial ratio changes.
In addition, it uses the absolute measures such as interest income, net interest income, non-interest income, net non-interest income, non-operating income, net non-operating income and net profit, to evaluate the profitability of a commercial bank (NRB, 2010). Liquidity management is one of the most important functions of a bank. If funds tapped are not properly utilized, the institution will suffer loss (Sangmi and Nazir, 2010). Many studies

show that the assessment of Islamic banks' performance through a number of ratios produces satisfactory results. Generally speaking, Islamic banks are well capitalized, figure and profitable (Iqbal and Molyneux, 2005).**AbdusSamad (2004)** in his paper examines the comparative performance of Bahrain's interest-free Islamic banks and the interest-based conventional commercial banks during the post Gulf War period 1991-2001. Using nine financial ratios in measuring the performances with respect to (a) profitability, (b) liquidity risk, and (c) credit risk, and applying Student's t-test to these financial ratios, the paper concludes that there exists a significant difference in credit performance between the two sets of banks. However, the study finds no major difference in profitability and liquidity performances between Islamic banks and conventional banks.**Ahmad and Hassan (2007)** analyzed the asset quality, capital ratios, operational ratios such as net profit margin, net interest income, income to asset ratio, non-interest income to asset ratio and liquidity ratios for seven years from 1994 to 2001. Islamic banks on an average were the preeminent performer in terms of the lowest non-performing to gross loan ratio, capital funds to total asset ratio, capital funds to net loans ratio, capital funds to short-term loan ratio, capital funds to liabilities ratio, non-interest expense to average asset ratio and most of the liquidity ratios. Therefore, it can be concluded that Islamic banks are outperforming others in capital adequacy and adequate liquidity. Except Return on Equity Ratio, Islamic Banks were at par with the industry in all other cases.

STATEMENT OF THE PROBLEM

Amana bank as an Islamic bank has been facing lot of criticisms from all sectors and kinds of people. So, the customers discourage to invest in the bank, even Muslims also still in doubt and argued on Islamic banks' performance. So it is necessary to know the overall activities and performance of Amana bank PLC. This study will help to find out whether the Amana bank will survive or will be closed through its five years financial performances.Financial performance of a bank, being one of the major characteristics, defines competitiveness, potentials of the business,and the economic interest of the bank's management and reliability of present or future contractors. Therefore, financial performance analysis and identification of their weaknesses and strengths using financial performance indicators has its contribution to the management, shareholders, the public (customers of the bank), the regulator (the government), the financial sector, and the economy as a whole. In a competitive financial market, bank performance provides signal to depositors and investors whether to withdraw or invest funds respectively from the bank. Similarly, it flashes direction to bank managers, whether to improve its deposit service or loan service or both. Regulators are also interested in the financial health of banks for regulation purposes. The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Owners and managers require financial statements to make important business decisions that affect its continued operations. In addition, it is clear from the review of earlier literatures that there has been no study on the Performance Appraisal of Amana Bank. Hence we felt the need to undertake the present study.

OBJECTIVES OF THE STUDY

Broad objective*:*
To study the current assets and current liabilities so as to know whether the shareholders and normal customers could invest in Amana Bank or not.

Specific objectives:

- ✓ To evaluate how effectively the bank is utilizing its assets against the industry average.
- ✓ To know the financial position of the bank.
- ✓ To measure the growth rate, profitability ratio and liquidity position of the bank.

METHODOLOGY

The descriptive type of research method is used for the study. The nature and characteristics of the financial performance of Amana bank have been described in this study. The data required for the study has been collected from secondary source.The relevant information was taken from annual reports and journals. This study is based on the annual report of Amana Bank. Hence the information related to, profitability, short term and long term solvency and turnover were very much required for attaining the objectives of the present study. Since the major emphasis in this study was on the description of data and insights into the facts, the research design most appropriate for the study was a case study, Quantitative and Descriptive Research Design. The collected data through the above tools was analyzed using the techniques of ratio analysis to find out the true picture of the financial performance of Amana bank over the recent five years.

Data & data collection method

Data was collected from secondary source mainly from the financial report of the selected banks as the sources of sample data for the sample period from 2011 to 2015. Furthermore, this research focuses on the directors' reports, balance sheets, and income statements in their annual reports and Newsletters, News articles and websites. Further researcher has read some books and lot of research papers to have broad knowledge regarding the study.Secondary data for the study is drawn from audited accounts [i.e., income statements (statement of comprehensive income) and balance sheets (statement of financial position)] of the concerned banks as fairly accurate and reliable.

RESULTS & DISCUSSION

1. Return on Assets (ROA)

Return on Assets (ROA) = net profit/total assets shows the ability of management to acquire deposits at a reasonable cost and invest them in profitable investments (Ahmed, 2009). This ratio indicates how much net income is generated per 1 of assets. The higher the ROA, the more the profitable the bank.

Table1. Return on Assets (ROA)

YEAR	2011	2012	2013	2014	2015
Net income after tax	(180782072)	145994652	(317033901)	(80269256)	158629246
Total assets	14556567678	16717424084	23397855691	34897588516	47882412080
ROA	**-1.24%**	**0.87%**	**-1.35%**	**-0.23%**	**0.33%**

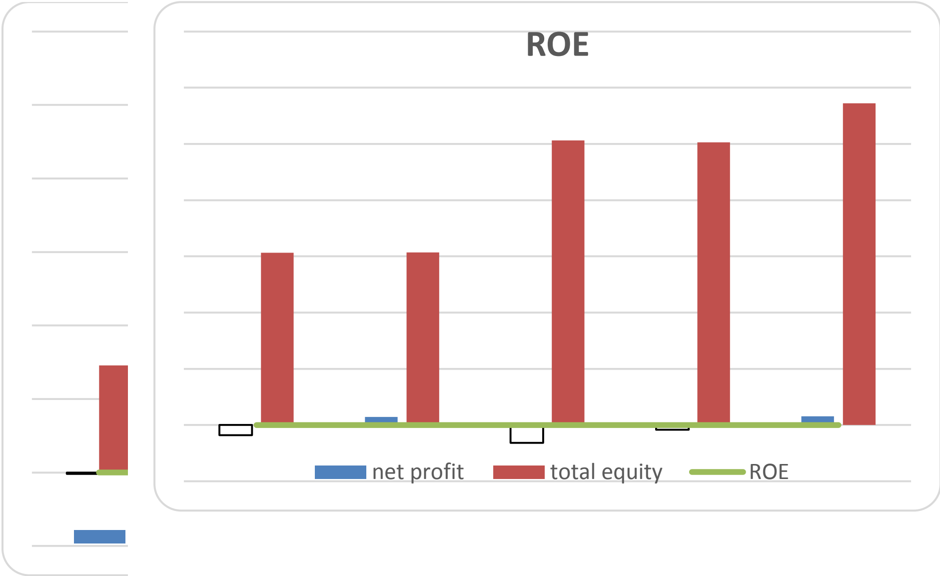

Figure 1. Return on Assets (ROA)

From the above figure 1 indicates that, the return on asset ratio in 2012 is higher among the year. It is good for the organization. But there are three years negative ratios that is not optimal for a bank. The mean of the ratio also is in minus (-0.32).However, last two years ratio are good indicators which show the growth of the bank.

2. Return on Equity (ROE)

Return on Equity (ROE) = net profit/ total equity. ROE is the most important indicator of a bank's profitability and growth potential. It is the rate of return to shareholders or the percentage return on each rupees of equity invested in the bank.

Table 2. Return on Equity (ROE)

year	**2011**	**2012**	**2013**	**2014**	**2015**
net profit	(180782072)	145994652	(317033901)	(80269256)	158629246
total equity	3064016096	3071215500	5062033380	5026238931	5722996600
ROE	-5.90	4.75	-6.26	-1.60	2.77

Figure 2. Return on Equity (ROE)

From the above figure2 implies that that, the return on equity ratio in 2012 is higher among the year. It is good for the organization. But there are three years negative ratios that is not optimal for a bank. The mean of the ratio also is in minus (-1.25). However, last two years' ratio are good indicators which show the growth of the bank.

3. Cost to Income Ratio (C/I)

Cost to Income Ratio (C/I) = operating expenses/operating income measures the income generated per rupees cost. That is how expensive it is for the bank to produce a unit of output. The lower the C/I ratio, the better the performance of the bank.

Table 3. Cost to Income Ratio (C/I)

year	***2011***	***2012***	***2013***	***2014***	***2015***
operating expenses	415689824	986051191	1385060580	1574995479	1693340866
operating income	178142662	1237796168	960239735	1574015219	2064304991
C/I	2.33	0.80	1.44	1.00	0.82

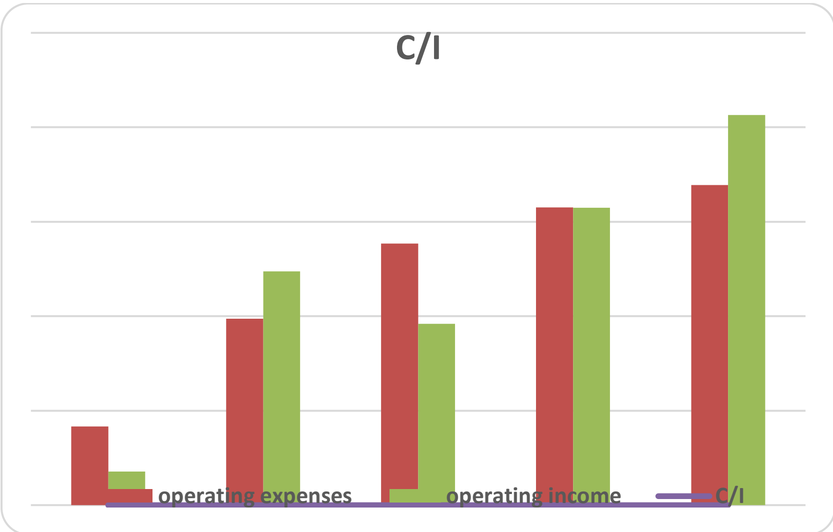

Figure 3. Cost to Income Ratio (C/I)

Figure3 indicates lower ratio of cost-to-income. The ratio decreases from one period to the next since last three years, it means that costs are decreasing at a lower rate while income is increasing, which could suggest that the bank has taken its eye off the ball in the drive to attract more business.

4. Net Interest Margin

The net Interest margin can be expressed as a performance metric that examines the success of a bank's investment decisions as contrasted to its debt situations. A negative Net Interest Margin indicates that the bank was unable to make an optimal decision, as interest expenses were higher than the amount of returns produced by investments. Thus, in calculating the Net Interest Margin, financial stability is a constant concern.

Table 4. Net Interest Margin

YEAR	2011	2012	2013	2014	2015
Investment Return	413793578	1300618090	1768061705	2407652724	2885931540
Interest Expenses	207209409	732071273	1050007868	1198032200	1405258772
Average Earning Aseets	8866616689	15636995881	20057639888	29147722104	41390000298
Net Interest Margin Ratio	2.33%	3.64%	3.58%	4.15%	3.58%

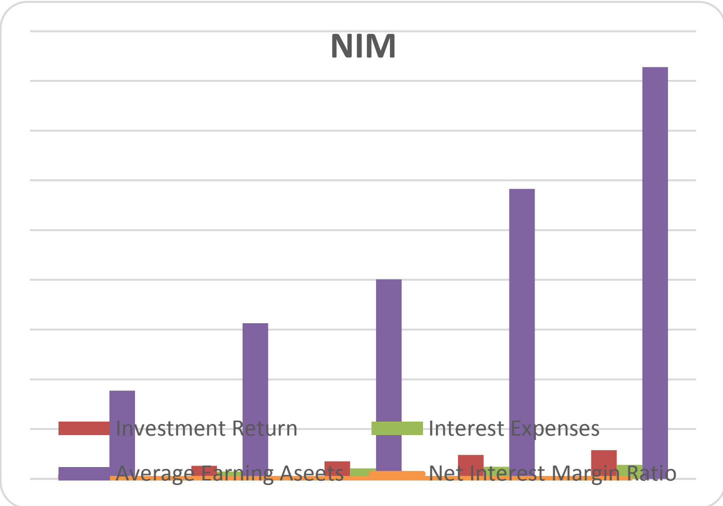

Figure 4. Net Interest Margin

Figure4 presents NIM of Amana bank increased from 2.33%in 2011 to 4.15%in 2014**.** The average NIM of Amana bank 3.46% is good for the bank. It shows that the bank able to make optimal decision in investment.

5. Earnings per Share (EPS)

Earnings per share (EPS) is the portion of the bank's distributable profit, which is allocated to each outstanding equity share (common share). Earnings per share is a very good indicator of the profitability of any organization, and it is one of the most widely used measures of profitability.

The earning per share is a useful measure of profitability, and when compared with EPS of other similar companies, it gives a view of the comparative earning power of the companies. EPS when calculated over a number of years indicates whether the earning power of the bank has improved or deteriorated. Investors usually look for companies with steadily increasing earnings per share.Growth in EPS is an important measure of management performance because it shows how much money the bank is making for its shareholders, not only due to changes in profit, but also after all the effects of issuance of new shares (this is especially important when the growth comes as a result of acquisition).

Table 5. Earnings per share (EPS)

YEAR	2011	2012	2013	2014	2015
Net Profit of Equityshares	(180782072)	145994652	(317033901)	(80269256)	158629246
Number of Ordinary Shares	811292332	902810064	969566067	1250695267	1250695267
EPS Ratio	-0.22	0.16	-0.33	-0.06	0.13

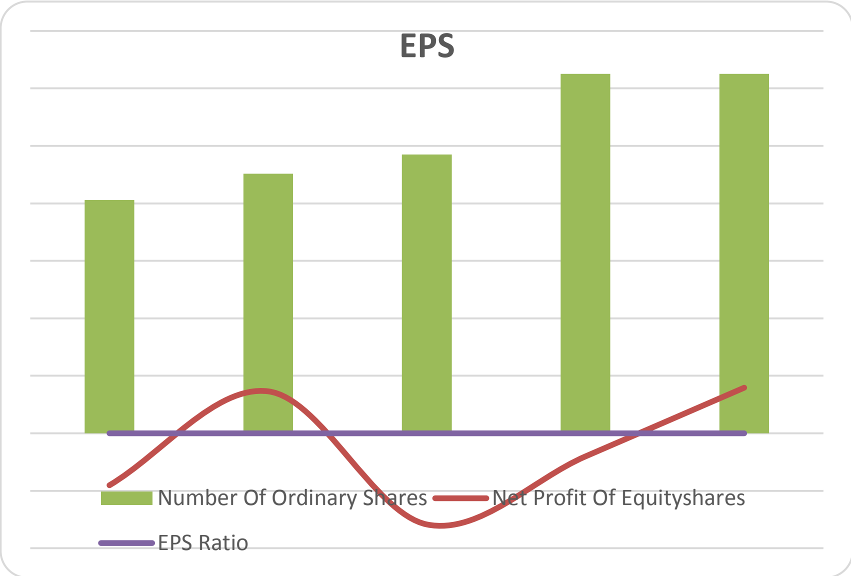

Figure 5. Earnings per share (EPS)

EPS in Amana depicted fluctuating trend in all years of review period, but it shows minus EPS ratio in three years (2011, 2013, and 2014). The last year EPS is increased by 0.19% than previous years. The mean ratio (-0.064) was much less in Amana. It indicates that the profitability position of the formed is far worse. In this sense, Amana seems more unsuccessful to attract the investors.

6. Revenue per Employee

Revenue per employee is a ratio that is calculated as bank's revenue divided by the current number of employees. This ratio is most useful when comparing it against other companies in the same industry. Ideally, a bank wants the highest revenue per employee possible, because it indicates higher productivity and effective use of the bank's resources.

Table6. Revenue per employee

YEAR	2011	2012	2013	2014	2015
Revenue	279442338	1987377733	2109583872	2866727445	3472381118
No. Of Employee	281	420	557	583	644

Revenue per employee	994457	4731852	3787404	4917200	5391896

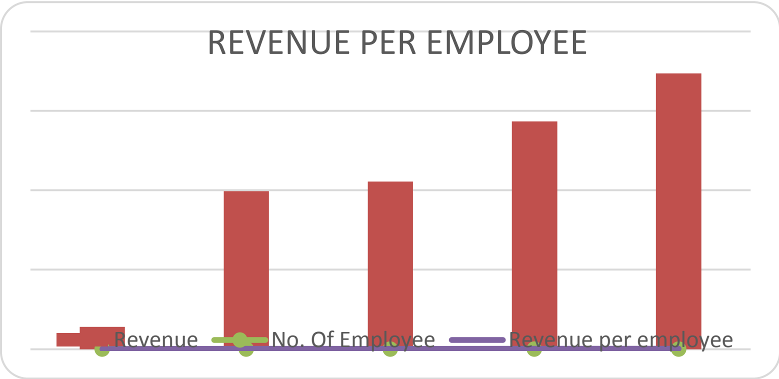

Figure6. Revenue per employee

Revenue per employee in Amana depicted fluctuating trend in all years of the review period. However, last two years ratios indicate that the bank tries to increase its efficiency and effectiveness.

7. Liquid asset ratio

Asset ratio (also called cash asset ratio) is the ratio of a bank's cash and cash equivalent assets to its total liabilities. Cash ratio is a refinement of quick ratio and indicates the extent to which readily available funds can pay off current liabilities. Potential creditors use this ratio as a measure of a bank's liquidity and how easily it can service debt and cover short-term liabilities.Cash ratio is the most stringent and conservative of the three liquidity ratios (current, quick and cash ratio)

Table 7. Liquid asset ratio

YEAR	**2011**	**2012**	**2013**	**2014**	**2015**
Cash and cash equivalents	1053128872	3866793015	2444552371	1627383695	5016458817
Current Liabilities	11081954335	12696713681	11520511454	18987628264	28008620658
Liquid Asset Ratio	0.10	0.30	0.21	0.09	0.18

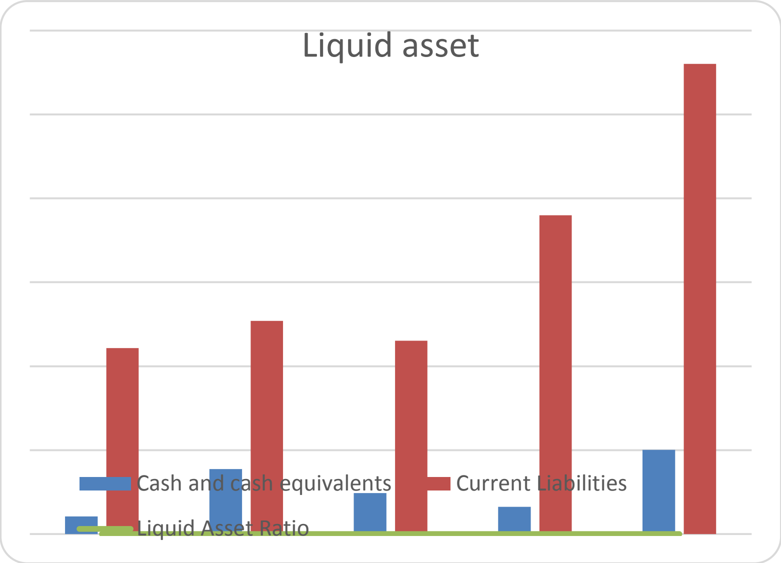

Figure 7. Liquid asset ratio

From the above figure7 it is found that, a cash ratio of 1.00 and less means that the business will not be able to pay all its current liabilities in the immediate short term. Therefore, creditors usually prefer a high cash ratio, but businesses usually do not plan to keep their cash and cash equivalents at level with their current liabilities because they can use a portion of idle cash to generate profits. This means that a normal value of cash ratio is somewhere below 1.00. Cash ratio is being less. It means the bank is allocating enough resources to grow its business.

8. Net loan to total asset ratio

Net Loans to total asset ratio (NLTA) = net loans/total assets NLTA measures the percentage of assets that is tied up in loans. Net loan to total assets ratio (NLTA) is also another important ratio that measures the liquidity condition of the bank. Whereas the loan to deposits is a ratio in which liquidity of the bank is measured in terms of its deposits, NLTA measures liquidity of the bank in terms of its total assets. That is, it gauges the percentage of total assets the bank has invested in loans (or financings). The higher is the ratio the less the liquidity is on the bank. Similar to LDR, the bank with low NLTA is also considered to be more liquid as compared to the bank with higher NLTA. However, high NLTA is an indication of potentially higher profitability and hence more risk. The higher the ratio, the less liquid the bank is.

Table 8. Net Loans to total asset ratio (NLTA)

YEAR	2011	2012	2013	2014	2015
Net loan (million)	4975	7165	15015	25427	33074
Total assets (million)	14496	16717	23397	34898	47882
NLTA	0.34	0.43	0.64	0.73	0.69

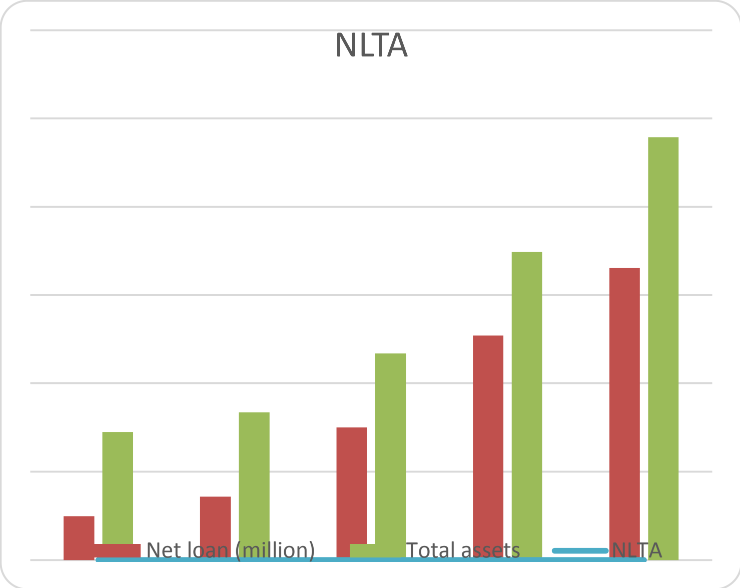

Figure 8. Net Loans to total asset ratio (NLTA)

Figure8shows that the liquidity ratio during the study period is less than the normal (i.e.) 1:1.It was 0.34 in the year 2011. It shows low liquidity position.

9. NPL Ratio

The calculation method for the NPL ratio is simple: Divide the NPL total by the total amount of outstanding loans in the bank's portfolio. The ratio can also be expressed as a percentage of the bank's nonperforming loans. For instance, say Alpha Bank has a total loan portfolio of Rs200 million, with Rs5 million in nonperforming loans. Alpha Bank's NPL ratio is (Rs5,000,000/Rs200,000,000) = (5/200) = 0.025, or 2.5 percent.

*Uses for NPL Ratio*Financial analysts frequently use the NPL ratio to compare the quality of loan portfolios among banks. They may view lenders with high NPL ratios as engaging in high-risk lending policies, which can lead to bank failures. Economists examine NPL ratios to predict potential instability in financial markets. Investors can view NPL ratios to choose where to invest their money; they can view banks with low NPL ratios as being lower-risk investments than those with high ratios.

Table 9. NPL Ratio

YEAR	**2011**	**2012**	**2013**	**2014**	**2015**
NPL	49588000	73744000	265989000	323087000	305109000
TL	4974971905	7165461019	15015318081	25426941810	33073596195
NPL ratio	0.99%	1.03%	1.77%	1.27%	0.92%

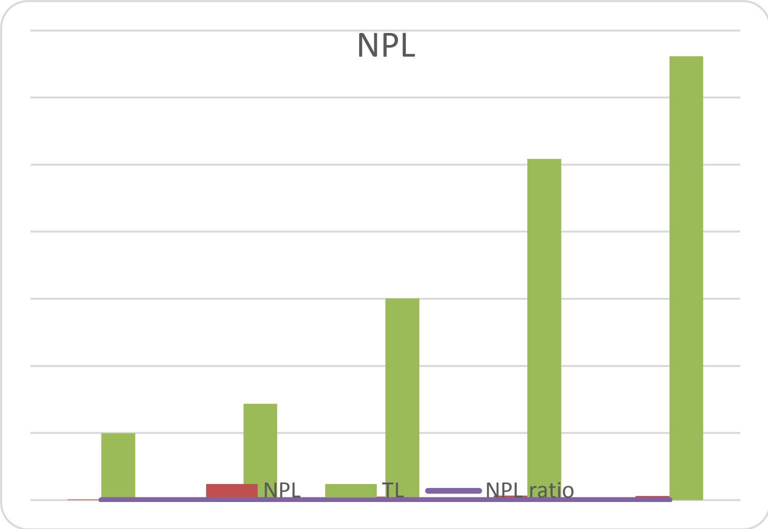

Table 9. NPL Ratio

Figure 09shows the NPL ratio also is in fluctuating trend. It is increasing from 2011 to 2013. But there is a good indicator for Amana bank's credit policies which are working well. This is because, NPL ratio is decreasing through the last two years.

10. CURRENT RATIO

This ratio indicated the current short-term solvency position of a current ratio is the relationship between current assets and current liabilities. It is calculated by dividing the current liabilities by current assets.A higher ratio indicates better liquidity position. However, "A very high ratio of current assets to current liabilities may be indicative of slack management practice, as it might signals excessive inventories for the current requirement and poor credit management in terms of over-expanded account receivable.Current ratio is a measure of bank's solvency. It indicates the availability of the current assets in rupees for every one rupee of current liability. As a conventional rule, a current ratio of 2 to 1 in considered satisfactory. However, these rules should not be blindly followed, as it is the test of quantity not quality. In spite of its shortcoming, it is a crude and quick measure of the bank's liquidity.

Table 10. Current ratio

YEAR	2011	2012	2013	2014	2015
Current assets	11451324335	12583760965	15047315182	21821915447	29073427485
Current liabilities	11081954335	12696713681	11520511454	18987628264	28008620658
Current ratio	1.03	0.99	1.31	1.15	1.04

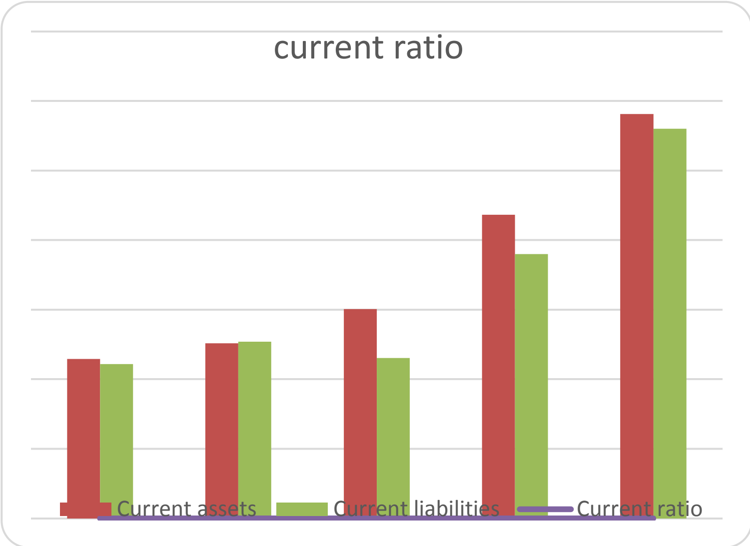

Figure 10. Current ratio

From the above figure10 it is found that, the average current ratio of Amana bank is higher than 1 in maximum year. It is good for a bank which was started recently. So Amana shows the more favorable current ratio than previous.

11. Net Worth to Total Assets Ratio

The ratio is calculated by dividing the net worth by total assets of the bank. The ratio measure what is the percentage of shareholders' fund is related to the total assets owned by the bank. High ratio means a greater contribution of investors fund and strong capital adequacy position.

Table 11. Net Worth to Total Assets Ratio

YEAR	2011	2012	2013	2014	2015
Net worth	3064016096	3071215500	5062033380	5026238931	5722996600
Total assets	14496177297	16717424084	23397855691	34897588516	47882412080
NWTA	21.14%	18.37%	21.63%	14.40%	11.95%

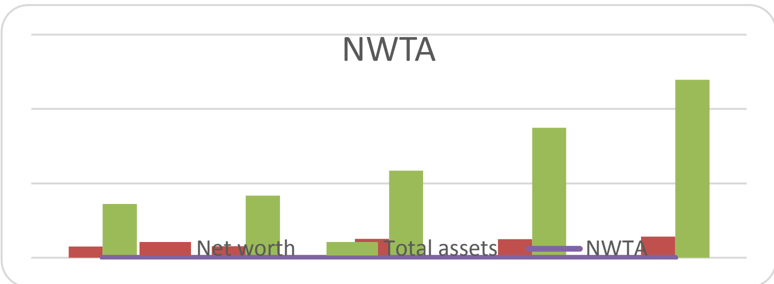

Figure 11. Net Worth to Total Assets Ratio

It depicted fluctuating trend, which appeared maximum in year 2013 and minimum in the last year. It means less contribution of investors fund and weak capital adequacy position.

12. Loans and Advances to Total Deposit Ratio (Turnover ratio)

Turnover ratios have been used to evaluate the efficiency with have managed and utilized their assets**.**They measure how effectively the bank uses investment and economic resources at its command. Investments are made in order to produce profitable sales. Unlike other manufacturing concerns, the bank produces loans, advance and other innovation. So it sells the same High ratio depicts the managerial efficiency in utilizing the resources they show the sound profitability position of the bank low ratio is the result of insufficient utilization of resources. However, the too high ratio is also not good enough as it may be due to the insufficient liquidity.

Table 12. Loans and Advances to Total Deposit Ratio (Turnover ratio)

YEAR	**2011**	**2012**	**2013**	**2014**	**2015**
Advances (million)	4975	7165	15015	25427	33074
Total deposits (million)	11363	13303	17983	29224	38608
LAD ratio	43.78%	53.86%	83.50%	87%	85.67%

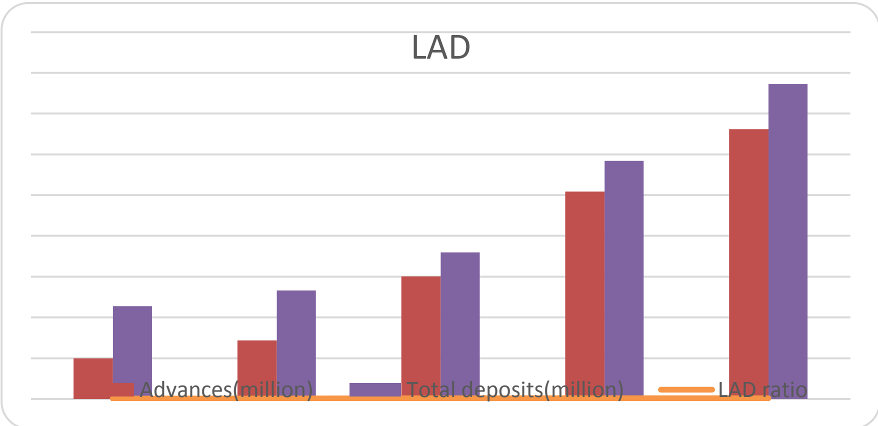

Figure 12. Loans and Advances to Total Deposit Ratio (Turnover ratio)

The ratio indicates the proportion of the total deposits invested in loans and advances. The bank shows unexpected high ratio. It means the greater use of deposits for investing in loans and advances. However, very high ratios in the last three years show poor liquidity position and risk in loans on the contrary.

FINDINGS

After analyzing various data the following findings are shown:

1. The growth rate has been fluctuated in ratio and in the last year 2015 onwards ratios are on the increase.
2. Profit of Amana bank is fluctuating but it is developed recently, according to be evidenced by last two years.
3. The ROA, ROE and EPS ratios of Amana bank are in a hazard.
4. Cash ratio is being less it means the bank is allocating enough resources to grow its business.
5. The current ratio is less than 1.33% in all the years for the bank. This shows that the bank is not enjoying credit worthiness.
6. Net loan to total asset ratio, which is one of the liquidity ratio is less. It shows that the bank has a low liquidity position.
7. The Amana Bank do utilize the cash properly.
8. Capital adequacy has been fluctuating and less in the last year.

9. Total deposits are used maximally in advances. It is too much to the bank. But in other hand¸ it indicates insufficient liquidity.

RECOMMENDATIONAND CONCLUSION.

On studying the financial performance of the Amana Bank for a period of five years from 2011 to 2015, the study reveals that the financial performance is not ideal better. However, through the last two years financial position, can be said it seems to grow and lead to top. So, we hope this bank will increase its financial performance in future for earning a worldwide reputation and establishing a profitable image.It is not unexpected to have many Problems in any organization for this reason already we have found many problems of financial performance of Amana bank. To solve these problems I can suggest following recommendations.

1. An increasing trend should be obtained in the case of profitability ratios.
2. The current ratio of the bank is being lower than the standard level 1.33 hence the management should take steps to properly utilize the current assets.
3. The liquidity position of the bank is not satisfactory. And this must be improved further for the purpose of proper utilization of the liquid assets of the bank.
4. The bank must make a decision to increase its capital to be adequate.
5. Management has to control using the deposits in loan and advances to maintain sufficient liquidity.

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