A STUDY OF THE FACTORS AFFECTING PROFITABILITY OF ZAMBIAN COMMERCIAL BANKS. A CASE OF ZANACO

BY

PRUDENCE MUMBA

A Dissertation submitted to the University of Zambia in partial fulfilment of the requirements for the award of the Degree of Master of Science in Accounting and Finance

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DECLARATION

I, **Prudence Mumba,** do hereby declare that this work is my original work achieved through personal reading and research. This work has never been submitted to the University of Zambia or any other universities. All sources of data used and literature on related works previously done by others, used in the production of this Dissertation have been dully acknowledged. If any omission has been made, it is not by choice but by error.

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APPROVAL

This Dissertation by **Prudence Mumba** has been approved as a fulfilment of the requirements for the award of the Master of Science degree in Accounting and Finance

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ABSTRACT

All businesses regardless of the nature require profitability for them to progress. Therefore, this thesis aimed at assessing Zanaco's profitability using ratio analysis, through three major objectives (i) To ascertain Zambia National Commercial Bank's ability to generate return to its shareholders during the period 2016-2021. (ii) To determine Zambia National Commercial Bank's ability to convert sales into profit during the period 2016-2021. (iii) To identify internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2016-2021. The study used both primary and secondary information. Primary information was collected through structured questionnaires. Data analysis was done through SPSS V26 for primary data and excel for secondary data for the period 2016 - 2021, the response rate of primary data collection which was physically administered to Zanaco employees was 35 respondents indicating a 65%. Secondary data was collected through the analysis of Zanaco's financial statements for the period 2016-2021. The findings review that the profitability ratios show that the bank has a stable ROA, and ROE, but low EPS and ROCE. The Low NPM below 30% for the years under review thus implying that Zanaco is minimally profitable, because of Zanaco's high Expense operational ratios EOR. Zanaco bank is liquid as it is able to convert its assets to cash easily, but does not have enough cash flow. Additionally, the bank is affected, by inflation and macro-economic factors, however due to the bank size, capital, asset quality, credit rating and effective cost management strategies the bank is able to withstand turbulent economic impacts.

Key words: **Financial Ratios, Financial Statements, Financial Ratio Analysis, Macroeconomic, Inflation, Profitability**.

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DEDICATION

This Dissertation is dedicated to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared. I also dedicate this project to my three children Caleb Chisomo Phiri, Deborah Taonga Phiri and Joshua Daliso Phiri who have been affected in every way possible by this quest. Lastly, I dedicate my dissertation work to my family and many friends.

Thank you. My love for you all can never be quantified. God bless you.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

Profitability is the fundamental reason for all businesses. Entrepreneurs, shareholders and companies take up the risk of investment in business with a reason of profit maximization. Profit is the financial gain realized when revenue generated from a business activity exceeds the expenses, costs and taxes involved in sustaining company operations, Profitability acts as an indicator of the progress of the company. It is however, unclear if many companies conduct profitability analysis or not.'

Consequently, profitability ratios are a measure of the profit earning ability of the business (Schmidlin, 2012). there are a number of ways to ascertain profitability which include: gross profit which symbolizes that a company's efficiency in generating profit over and above its expenses. (Buffett, 2015); Net profit margin is the ratio of net profits to revenues showing clearly how much each unit of currency of revenue converts to profit (Fridson & Alvaraz, 2013); return on Equity also known as net Income, Shareholder's equity articulated by way of a fraction. Net income is considered before dividend payments to ordinary shareholders and after dividends to preference shareholders and interest to credit lenders (CA, 2009); Net Profit percentage is the ratio profit a company has generated (J.B & Steven, 2021); interest coverage ratio is a debt ratio that outlines the company's competence to deal with all interest arising from debt, (J.B & Steven, 2021); Capital Turnover Ratio shows the ability of a company to utilize capital invested in the company. (Buffett, 2015); tax burden ratio outlines the ratio of tax liability the company is liable to pay, (James, 2010); EBIT margin is the ratio of profitability used to measure the efficiency in management of operational expenses gross profit margin is a ratio which shows the expected return of profit in the aspect of gross profit without any expenses (whithead, 2020).

Deloitte (2018) further argues that most corporate entities pursue an objective of sustainable growth. Growth is sustainable when it results not only in increased revenues, but also in more profit. In this regard, improving profitability is the basis for long term competitive success and is the most important element in enterprise value creation and stability (ibid, p. 3). Profitability is necessary for an entity to maintain its ongoing activities and for its shareholders to obtain fair returns on their investments (Brealey & Myers, 2011). It is also a vital element that enables private entities to sustainably add to public revenue through tax contributions and heighten

their corporate social responsibilities. Thus, profitability is the hallmark of sustainable growth and stability.

For commercial banks, in particular, maintaining profitability is instrumental in ensuring a smooth functioning financial intermediation system and general stability in the financial market. Past experiences have shown the importance of sound banking practices and profitability of commercial banks in ensuring stability of the financial market. Zambia's first severe financial crisis in the mid-1990s, when banks' efficiency in generating profits was significantly low, is a primary case that attests to the aforementioned argument. The banking industry Return on Equity (ROE), the widely used indicator for financial stability by financial market players, dropped to lower levels as -6.383 during the crisis (World Bank, 1997).

Currently, the Bank of Zambia (2021, p. 16) indicates that banking industry has been recording Return on Equity (ROE) ratios that are relatively lower than the set benchmark and generally exhibiting a downward trend over the past decade. This implies that the banks' efficiency in generating net income from shareholder's equity has been generally declining over the past decade. Knowing the significance of profitability in realising sustainable growth and stability, it is imperative to extensively research on the internal intricacies surrounding the perceived declining efficiency in profit generation of the banking sector. Most importantly, there is need to ascertain the profitability-oriented performance measurement of commercial banks in Zambia so as to develop an in-depth understanding of their profit generating potential. These are the issues that the researcher seeks to address in this study by empirically assessing the profit generating potential of Zambia National Commercial Bank (ZANACO). This study is inspired by ZANACO as it is currently the largest commercial bank in Zambia by customer base, financial intermediation transactions, and distribution networks. If such a large bank was to experience a bank failure due to severe losses on its investments, this would undoubtedly instigate financial panic among major market players, as it was the case with the 1995 financial crisis when a US$100 million capitalised giant Meridien BIAO Bank failed (Maimbo, 2002).

1.1 Background to the Research

Zambia National Commercial Bank (ZANACO) Plc. is currently the largest commercial bank in Zambia by customer base, financial intermediation and distribution networks. In 2021, it had 60 branches with over 200 ATMs, and about 8000 Xpress agents distributed nationwide (ZANACO, 2021). As of December 2021, the bank's stock was owned by the following corporate entities and individuals:

Name of owners	*Percentage of ownership*
Arise BV	45.59
Industrial Development Corporation (IDC)	25.00
Public	19.41
National Pension Scheme Authority (NAPSA)	10.00

Source of Data: ZANACO (2021)

Table 1.1

According to Brownbridge (1996, p. 6), "Zambia National Commercial Bank (ZANACO) was established by the government in 1969 with the objectives of meeting the credit needs of indigenous Zambians who had difficulty accessing loans from the foreign banks, and of extending banking into the rural areas." It enjoyed significant growth following its establishment and covered 26% of total commercial bank deposits and 31% of total loans in industry by 1991. ZANACO continued to record strong profits until the 1992/93 financial year when its non-performing loans became a more serious problem and significantly reduced their profit generating capacity. ZANACO's 1992/93 accounts noted that the government replaced K1.9 billion (13 per cent of its loan portfolio) in loans to Nitrogen Chemicals of Zambia with five-year government bonds. Consequently, by 1995 ZANACO's financial position had deteriorated markedly (ibid: 8).

In that same year, Zambia experienced its first bank closure that of Meridien BIAO bank limited due to severe liquidity crisis. Meridien bank limited was an African banking giant which was capitalised at about $100m (Kibazo, 1995). This was followed by the closure of the African Commercial Bank and Commerce Bank later in the year (Maimbo, 2002). This turned into a financial crisis and the turbulence experienced in the banking sector had a severe impact on the banking and financial system, resulting in the failure of four more banks in 1997 and one in 1998. As of 31st December 1999, the African Commercial Bank, Credit Africa Bank, Manifold Investment Bank, Meridien BIAO Bank, and Prudence Bank were in liquidation, while First Merchant Bank was undergoing reorganisation. The cost of these bank failures to the Bank of Zambia was high, both financially and in terms of its reputation and credibility as the regulator and supervisor of the financial sector. Its 1997 annual report indicates that the overdrawn accounts for the banks in liquidation were in excess of US$30 million (ibid: 261).

Notable prior studies on accessing commercial Banks's profitability has been conducted both in developed and developing countries which include; (Gržeta, et al., 2023) Europe, (Meriläinen & Junttila, 2020) in west Europe (Iacobelli, 2017) in turkey, (Jigger & Korolova, 2023), in China (Sufian & Chong, 2013) in the Philippians and (Khizer, et al., 2013) in Pakistan. Which manly studied profitability using Basel III framework, comparative empirical evidence, macro-economic factors affecting profitability, and accelerants of bank profitability in stable growing economies. In Africa studies by (Almaskati, 2022) was conducted in Nigeria, (Gwahula, 2013) in East Africa, and (Zawadi, 2014) in Tanzania, who studied, Efficiency of commercial banks, determinants of banks' profitability, In Zambia a studies by (Momba, 2019) studied determinant of bank profitability in Zambia was conducted . Only one study that accesses Zanaco's bank profitability by (Chishiba, 2019) has been conducted but with a shorter review period from 2013-2016. Moreover, no study has been done that addresses external factors (macro-economic factors)'s impacts Zanaco's profitability. Hence the present study will attempt to seal the gap that has not been studied.

1.2 Statement of the Research Problem

Without doubt banks play a critical role in the financial system and economy of a country, as they set aside resources from savers to borrowers in an efficient way, commercial bank's expansion is dependent on profitability. However, (Bank of Zambia, 2021) reports that the banking industry in Zambia has recorded low profitability, ratios than the set benchmark, with some banks unable to declare dividends, this has caused strict scrutiny by various parties such as management, owners, government, lenders, suppliers, investors, and the general public to know the internal and external factors that affect bank's profitability in Zambia. However, little is known if Zanaco being one of the largest commercial banks in Zambia, is part of the banks with low profitability benchmark set by the bank of Zambia. Therefore, through the use of financial ratios and analysis of Zanaco from (2016-2021), The study will access Zanaco's profitability potential and the external factors that have affected Zanaco's profitability.

1.3 Aim of the Research

In context of the stated research problem, the aim of this study was to clearly assess Zambia National Commercial bank's profit generating potential, the study will benefit the company (Zanaco), by indicating which profitability ratio maximizes profit and how much more profit can be maximized using specific profitability ratios, to have a better comprehension of profitability the study will concentrate on financial records from period from 2016-2021.

1.4 The Objectives of the Research

1.4.1 Main Objective.

The major objective of the study is to assess Zambia National Commercial bank's profit generating potential.

Specifically, the study seeks;

i. To ascertain Zambia National Commercial Bank's ability to generate return to its shareholders during the period 2016-2021.

ii. To determine Zambia National Commercial Bank's ability to convert sales into profit during the period 2016-2021.

iii. To identify internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2016-2021.

1.5 Research Questions

In line with the research objectives, this study seeks to address the following research questions:

i. How is Zambia National Commercial Bank's ability in generating return to its shareholders during the period 2016-2021?

ii. How is Zambia National Commercial Bank's ability in converting sales into profit during the period 2016-2021?

iii. What are the internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2016-2021?

1.8. Scope and Location of the Research

The purpose of this study was to conduct a profitability ratio analysis on Zambia National Commercial Bank (ZANACO) during the period 2016 to 2021. Thus, Zambia National Commercial Bank Plc. was used as a study area. Specifically, all the necessary data for analysis was obtained from Zambia National Commercial Bank Head office in Lusaka as the researcher did not have the capacity to visit all 68 branches due to geographical and resource limitations. Furthermore, the research focused its analysis on determining profit ratios and their inherent characteristics during the period 2016-2021.

1.6 Significance of the Research Study

The findings of this research study will enlighten various stakeholders, especially ZANACO key decision makers, investors and researchers, on the financial performance of ZANACO. Particularly, this study will provide pragmatic information on the profitability-oriented performance measurement of ZANACO which may act as a basis for adopting effective strategic decisions by managers at Zambia National Commercial Bank.

Furthermore, the evidence-based findings of this study will be instrumental to the investors and other players in the stock market as it will provide them with an in-depth profitability outlook of ZANACO bank. As ZANACO bank is a public listed company on Lusaka Securities Exchange (LuSE) Plc, the empirical results showing the profitability outlook of ZANACO bank will aid stock market players in adopting a profitable trading strategy, with respect to buying, holding or selling ZANACO bank shares.

Lastly, this study is significant as it will add new empirical information to the existing body of literature on the subject of interest and its findings will be used as a basis on which other related studies will be built upon. This is vital because a thorough review on the existing body of literature has shown that there are limited empirical studies done for banks in the Zambian context on this topic. Therefore, this study will be detrimental in filling up this gap in literature.

CHAPTER 2

LITERATURE REVIEW

2.1 Overview of the Banking System in Zambia

Before independence, only three Commercial Banks existed in Zambia, namely Barclays bank formed in 1918, Standard Chartered bank formed in 1906 and the Grindlays Bank formed in 1956. The objectives of these commercial banks was to propel the mining sector and the success of foreign citizens (Brownbridge, 1999). After independence, a first economic reform in 1968 decided that all foreign banks be publicly owned with the objectives of serving the local population. Which was not a success as they were threats by the banks of withdrawing expatriate management which Zambia didn't have. In this view the government established the Zambia National Commercial Bank (ZANACO) publicly owned so as to serve local needs. A follow up act was enacted in 1965 repelling the 1959 Act, which did do change the contents of the previous act but rather reflected a new government perspective. In 1972, another Banking Act was enacted to replace the 1965 Act. This new Act reflected the new nationalism policy adopted by the government at the time. The Act allowed for increased government influence in commercial banks' activities and regulation. Following this act several other institutions were established such as the cooperative Bank, Zambia National Building Society, Lima Bank, National Savings and Credit Bank etc. leading to reduced monopoly in the market (Mushota, 2002). The act was however amended in 2000 to cater for future financial institutions, such as Microfinance institutions.

In 1992 after liberalisation there was, a new Banking Act allowed for more independence and proper regulation of commercial banks. The Act called for the banks to have adequate capital, proficient management, run a profitable business, judicious financial history and serve the local needs. The act also stipulated the roles and activities of commercial banks in respect to fraud and mismanagement and curb any of such. Most significantly, the Act enhanced the bank of Zambia to issue prudential directives which includes, monetary regulation capital adequacy giving BOZ the overall regulatory authority over all commercial banks different to the previous act which gave the government control. Therefore, the 1996 BOZ Act also changed the Central Banks' decree to formulating and implementing monetary policy that ensures price stability and financial systems stability. This essentially changed BOZs position from merely ensuring compliance to regulation of financial sector (Mushota, 2002). However, it is unfortunate that after the act many banks collapsed mainly because an increase of commercial banks after 1991 -2000 due to liberalization. By 1994, the country

had 18 commercial banks from 10 in 1990. Due to economic changes some banks were unable to continue operating due to various reasons some were liquidated as shown in the table below:

Table 1: Bank Liquidation dates and causes

NAME OF BANK	LIQUIDATION DATE	FEW CAUSES OF LIQUIDATION
MERIDIEN BAIO BANK	19 May, 1995	Insider trading, poor credit management, high expenses, failure to recapitalize
AFRICA COMMERCIAL BANK	13th November, 1995	Non-performing loans, low liquidity, failure to recapitalize, insider trading, no depositor insurance.
COMMERCE BANK	29th November, 1995	High default on loans, failure to recapitalize, non-performing loans.
ZAMBIA EXPORT AND IMPORT EXIM	19th February, 1997	Failure to recapitalize.
PRUDENCE	18th October, 1997	Failure to recapitalize, heavy external borrowing, poor management,
CREDIT AFRICA BANK	28th November, 1997	High number of outstanding loans, low depositor security, fraudulent transactions.
MANIFOLD INVESTMENT BANK	4th December, 1997	Liquidity problems, failure to meet capital requirements, low deposit security.
FIRST MERCHANT BANK	2nd February, 1998	Poor depositor security, Adverse Press reports, failure to meet obligations.
UNION BANK	13th February, 2001	Non-performing loans, insider trading, failure to meet capital obligations.
UNITED BANK OF ZAMBIA	24th May, 2006	Failure to recapitalize.
INTERMARKET BANKING CORPORATION	29th November, 2016	Repossessed by the BOZ due to financing problems.

Source: (Momba, 2019)

Table 1.2

The table shows that most banks were liquidated for almost the same reason, profitability and poor restrictions fraudulent activities. Undoubtable the unfavourable economic environment contributed to the liquidation of most banks. Consequently, the situation has since improved currently as many commercial banks now adhering to the regulations set by bank of Zambia (Sandi, 2010)

2.2 Zambian Banking Sector Structure

The Banking Sector is administered by the Banking and Financial Services Act (BFSA) of 1994 which gives the authority to BOZ to regulate commercial banks and other financial services. All licensed banks in Zambia are represented by Bankers Association of Zambia (BAZ). Currently Zambia has 17 commercial banks with eight been subsidiaries of foreign banks, seven are locally owned private banks and two partially government owned. Subsidiaries of foreign banks imply banks that are locally incorporated but are subsidiaries of foreign banks whilst locally owned private banks imply banks with at least 51% equity shares are owned by a Zambian citizen or entities incorporated in Zambia. Whereas banks formed by an act of parliament are two these include: Development Bank of Zambia (DBZ) and National Savings and Credit Bank (NATSAVE) (Bank of Zambia, 2021). However Foreign subsidiaries have a high market share in terms of total assets, loans, deposits and profitability. Followed by partially government owned banks. By the end of 2016, foreign subsidiaries had 70.8% of assets, 68.1 of loans, 70.4% of deposits and a profit share of 97.2% with government owned banks taking 8.9% and local banks, -6.1%. a clear indication that foreign owned banks performed better than local banks thus having more customer base (Mushota, 2002).

2.3 Measuring Profit Generation of Banks

According to Tulsian (2014), there are numerous theories in the body of literature that link various internal and external factors to financial soundness of corporations. Radzi et. al (2017) point out, however, that models of financial ratio analysis on financial statements are more pronounced in corporate finance.

2.4 Models of Financial Ratios Analysis

According to Myers (2003), ratio analysis of financial statements is a study of relationship among various financial factors in a business as disclosed by a single set of statements and a study of trend of these factors as shown in a series of statements. Financial ratio analysis groups the ratios into categories that tell us about the different facets of a company's financial state of affairs (Westerfield, 2002). Some of the common categories of financial ratios are Profitability

ratios, Liquidity ratios, Asset utilization ratios, etc. Since the purposes of this study is to conduct a profitability ratio analysis, it will only focus on profitability ratios.

Profitability ratios are financial metrics used by various financial players such as analysts and investors to evaluate the corporation's ability to utilizes its assets to generate profit and value to shareholders (Myers, 2003). Generally, these ratios represent the final results of business operations and they are generalized into two broad categories:

Margin ratios: These ratios show the company's ability to convert sales into profits at various degrees of measurement (Tulsian, 2014). They show the relationship between profit and sales of a corporation. The following are some of the widely utilised margin ratios in literature:

EBITDA Margin: EBITDA stands for Earnings before Interest, Taxes, Depreciation, and Amortization. EBITDA margin is a profitability ratio that measures how much in earnings a company is generating before interest, taxes, depreciation, and amortization, as a percentage of revenue (Myers, 2003). It is given as follows

The benefit of analysing a company's EBITDA margin is that it is easy to compare it to other companies since it excludes expenses that may be volatile or somewhat discretionary. The downside of EBTIDA margin is that it can be very different from net profit and actual cash flow generation, which are better indicators of company performance (CFI, 2022).

Operating Profit Margin: This establishes the relation between operating profits and net sales. The main objective of computing this ratio is to determine the operational efficiency of the management (ibid, p. 20). Myers (2003) defines operating profit as the net profit arising from the normal operations and activities of the business without taking into account of extraneous transactions and expenses of purely financial nature. A higher operating profit ratio means that the business has been able not only to increase its sales but also been able to cut down its operating expenses (op. cit., p. 21). Mathematically, it can be easily expressed as:

$$\text{Operating profit margin} = \frac{\text{Operating profit}}{\text{Sales}} \text{X } 100$$

Net Profit Margin: This is obtained when all operating expenses, interest and taxes are subtracted from the gross profit. This ratio indicates the management's efficiency in producing, administering and selling of its goods and services. Thus, it provides the final picture of how profitable a company is after all expenses, including interest and taxes, have been taken into account. It is computed by the following formula:

$$\text{Net profit margin} = \frac{\text{EBIT} - (\text{Tax} + \text{Interest payments})}{\text{Sales}} \text{X } 100$$

Cash Flow Margin: This expresses the relationship between cash flows from operating activities and sales generated by the business. It measures the ability of the company to convert sales into cash. The higher the percentage of cash flow, the more cash available from sales to pay for suppliers, dividends, utilities, and service debt, as well as to purchase capital assets. Negative cash flow, however, means that even if the business is generating sales or profits, it may still be losing money. In the instance of a company with inadequate cash flow, the company may opt to borrow funds or to raise money through investors in order to keep operations going (CFI, 2022).

Managing cash flow is critical to a company's success because always having adequate cash flow both minimizes expenses (e.g., avoid late payment fees and extra interest expense) and enables a company to take advantage of any extra profit or growth opportunities that may arise (CFI, 2022).

Return ratios: These ratios represent the company's ability to generate returns to its shareholders. According to Myers (2003), there are a lot of return ratios in the corporate world. However, return on Equity (ROE), Return on Asset (ROA) and Return on Capital Employed (ROCE) are the widely watched return ratios by financial market players.

Return on Equity (ROE): This ratio expresses the percentage of net income relative to stockholders' equity, or the rate of return on the money that equity investors have put into the business (Westerfield, 2002). Companies with a high return on equity are usually more capable of generating cash internally, and therefore less dependent on debt financing (Mishkin, 2004).

Return on Assets (ROA): Managers often measure the performance of the firm by the ratio of income to total assets (income is usually defined as earnings before interest but after taxes). This is known as the firm's return on assets (ROA) or return on investment (ROI).

Return on Capital Employed (ROCE): is a profitability or performance measure of the return earned by those who provide capital, namely the firm's bondholders and stockholders. It is similar to the ROE ratio, but more all-encompassing in its scope since it includes returns generated from capital supplied by bondholders (CFI, 2022).

2.6 Internal Factors Influencing Bank Profitability

Factors that affect banks profitability can be streamlined in twofold: namely internal and external factors. External factors are normally beyond the control of the bank whereas internal

factors are those which are within the power of the bank. The paper will discuss the following internal factors operating efficiency, bank size, credit risk, capital adequacy, liquidity risk and market concentration.

2.6.1 Operating Efficiency

Operating efficiency is the ability of the company to lower costs in its pursuit to achieving its objectives, which is achieved through a blend of right people, process and technology. With right mixture of resources, business operation of any company will enrich productivity of services or goods offered, (Lotto & Papavasillion, 2019). The logic behind is that the costs saved from resources of previous operations can be readdressed to various emerging opportunities for company value addition. A study by (Mohanty & Sanker, 2020), shows that banks that operate proficiently lean towards maintaining level of permanency of output/services and absolute operating performance in comparison to banks which are less well-organized. Banks can operate efficiently through directing reserves from deposits mobilized to companies with high expected social and economic returns, done through critical credit analysis, which also require consistent monitoring of such resources to enhance effective and efficient usage (Lotto & Papavasillion, 2019).

2.6.2 Capital Adequacy

Notably many scholars such as (Mohanty & Sanker, 2020), (Lotto & Papavasillion, 2019), mainly recognises capital adequacy as the major determining factor of bank operating efficiency. (Lotto & Papavasillion, 2019), in their study find that the liquidity of banks and capital adequacy is significantly correlated to bank operating efficiency. Showing that capital adequacy and liquidity do not only improve banks' financial stability by giving a larger capital cushion and rising bank liquidity level, but also increase bank operating efficiency by lowering moral hazard between bank shareholders and debt-holders, thus creating value for commercial banks. A similar study by (Mohanty & Sanker, 2020) found that companies with more capital operate more professionally comparative to companies with less capital. The two studies therefore show the importance of capital adequacy in financial institutes and or banks.

2.6.3 Bank Size

It has been studied by different scholars, many results were inconsistent, the studies showed that ,Large banks are anticipated to be so efficient in relation to small banks, the attributing factor is that banks big in size are capable to mobilize resources, like technology, material and human resource to improve operating efficiency (Sanchez & Barkus, 2013), whereas ,

(Gwahula, 2013), reveal that larger banks are less efficient in conversion economies. The argument here is that operating costs, decreases bank size to a certain level thus operating efficiency improves as size of the bank increases, however it is noted that banks become less efficiency after a certain level. The belief is that the bank size has a key role in market share distribution (Almaskati, 2022)

2.6.4 Credit Risk

Credit risk if were handled has the capability of enhancing bank efficiency, (Lotto & Papavasillion, 2019), argues that that quality of assets of the banks and cost efficiency are significantly associated meaning that the management of non-performing loans has the effect of reducing costs associated with loans portfolio.

2.6.5 Liquidity Risk

All types of banks require liquid assets to cater for operational costs and meets customer's withdrawals. The risk of liquidity often arises when the banks fail to accommodate decreases in liabilities (Momba, 2019) found a strong negative relationship between liquidity and bank profitability meaning that increased liquidity has a bearing on interest earning asset.

2.6.6 Market Concentration

A study by (Gwahula, 2013) found that one of the determinants of a bank's profitability is market concentration, which impacts a bank's performance and is measured by the return on assets and return on equity. (Almaskati, 2022) also found that internal factors such as market concentration has a positive association with the bank's performance.

2.7 Empirical Review Studies

The study represents those empirical studies on bank profitability in both developing and developed countries. The studies focus, on both internal and external factors on bank profitability.

(Almaskati, 2022), conducted a study in New Zealand a developed country, which analysed the comparative importance, of determinants of bank and profitability using random forest's relative value importance measure. The results found that bank's profitability is mainly determined by bank-specific factors, while a bank's risk is predominantly impacted by country-level factors. The study also inclines that the proxies for market power and size have significant influence in impacting both the bank's profitability and its risk profile. Additionally, the study outlines the importance of the presence of a major role for a country's financial development together with status and regulatory quality, which impacts the bank's risk. In conclusion the

analysis also confirmed the presence of a small number of dominant determinants of a bank's profitability in contrast to the absence of clear dominant determinants of a bank's riskiness.

(Iacobelli, 2017) investigated the factors determining bank profitability mainly in the 16 global banks the study used a panel study over the period 1980-2015. This study focused on the effect of bank characteristics, industry structure and macroeconomic variables on profitability and using Fixed Effects and Generalised Method of Moments (GMM), in which all factors were discovered to be instrumental in explaining bank profitability. The study also found that Bank specific factors had the most influence on bank profitability. The study also reveal that Bank capital has a positive impact on profit, measured using ROA and ROE, whilst credit risk and operating efficiency have a negative impact.

A similar study by (Mirzaei, et al., 2013) in developed markets find that developed markets have higher profitability, on the other hand the study found that policies targeted towards promoting competition may lead to threatening the individual banks. The study also reveals that higher interest-margin revenues in developing markets cause higher profitability and even banks since banks use the higher margins to shelter probable credit losses.

There are a lot of studies which relate to bank profitability of developing countries some of the notable ones include studies conducted by (Lotto & Papavasillion, 2019) conducted in Tanzania, who in their paper investigated the operating efficiency of 36 commercial banks in Tanzania in a period of 2000 and 2017. The results of the study show that bank liquidity and capital adequacy have a significant relationship with operating efficiency. Meaning that capital adequacy and liquidity, have no strengthening hand in financial stability but also has a hand in the provision of strengthen financial stability through capital cushion and bank required liquidity level, which also improves bank operating efficiency through the lowering of moral hazard between shareholders and debt-holders. The study also suggests that there is a relationship between bank profitability and operating efficiency, indicating that banks should emphasis on the improvement of bank earnings, to improve operational efficiency. (Lotto & Papavasillion, 2019) further suggests that for banks to increase profitability there should be massive investment in financial innovations and branch networks, together with expansion in markets shares so as to upholster operational efficiency. (Lotto & Papavasillion, 2019), also argues that banks should optimally utilize their asset capacity to increase their earnings profiles. Similar banks should not engage hasty lending that would increase the level of indiscreet credits in banks' portfolio.

(Mohammad, 2013) investigated management controllable factors that determine bank profitability in Jordan on banks listed under the Amman Stock Exchange ASE from the period of 2005-2011, the study found that the profitability of the Jordanian commercial banks has a significant influence to operational efficiency. Whereas liquidity risk, credit risk, credit composition (net credit to total assets), capital adequacy (equity to assets) and bank size did not show any statistical effect on profitability. A similar study by (Khizer, et al., 2013) examined the profitability of the banking sector in Pakistan between the period of 2006 to 2009. The study revealed that profitability was positively correlated to bank size, operating efficiency, portfolio composition, asset management, the study also showed that capital negatively correlated with credit risk in the case where profitability is measured by ROA. When profitability was measured by ROE, profit was found to be positively affected by capital, portfolio composition and asset management whilst size, operating efficiency and credit risk had a negative impact on profit.

(Gwahula, 2013) In east Africa reveals that bank efficiency improved after financial restructuring. The attributed factor is the improvement in the risk management process in bank operation. The study also revealed that financial restructuring has enhanced competition thus improving efficiency.

A study by (Momba, 2019) in Zambia which explores the determinants of the profitability of banks in Zambia during the period January 2010 to December 2016. The study investigated 17 commercial banks obtained from the Bank of Zambia. The empirical study showed that bank size, the ratio of loan loss provision to total assets and total loans to assets significantly affect bank profitability regardless of the profitability measure employed. Furthermore (Momba, 2019) found that banks pay more to depositors than they receive from loans, also profit is comparatively derived from operational income rather than interest-based income. The author also recommended that banks should develop a policy that limits the amount of loans they extend without collateral. This move can thus enable commercial banks to have the capability of reducing and extenuating the high risk of default.

A more specific study by (Chishiba, 2019), was conducted to review the financial performance of ZANACO in the period between 2013-2015, using profitability ratio analysis, the results reveal that Zanaco was liquid, noted through the easiness to convert assets to cash, and that the bank was profitable from its services, in additional the bank was also able to meet its long-term

obligations except the debt to equity. Indicating that the bank is financially sound with stable profitability.

(Zawadi, 2014), examines the effects of internal bank specific factors and macroeconomic factors on banks' profitability in Tanzania, using panel data constituting of 23 banks in period 2009-2013. The results indicated that larger banks have improved bank capital, assets quality, efficient management of banks expenses as well as liquidity management has impacted to larger profits in Tanzanian banks. On the contrary, it was discovered that macro-economic have an insignificant relationship with profitability. The general findings are that profitability Tanzanian banks are less affected by external factors but internal factors.

A study conducted by (Sandi, 2010) found that there is an equilibrium relationship between consumer weighted deposit interest rates (i.e., prices) and concentration ratio, per capita income and deposits held by commercial banks. The findings of the study further indicate that per capita income, market share, concentration ratio and the growth of deposits play a significant role in determining changes in deposit interest rates in Zambia. Additionally, the low per capita income of Zambia compared to other Sub- Saharan countries was found as the plausible explanation why very few people hold bank accounts with commercial banks. The study also indicate that most Zambian commercial banks offer low interest on deposit accounts in comparison to interest rate they charge on loans in order to make profits. Also, commercial banks concentration ratio was also found to be the major contributor to low deposit interest rates.

Table 3.2 Literature review matrix

Authors, (Year of study): Location	**Research topic**	**Research Methods**	**Key findings**	**Gaps**
Kwasi, J., Bardai, B. & Ntoa, B. (2022): Ghana	Empirical Analysis of the Financial Performance of Listed Banks in Ghana	Quantitative research approach: Descriptive research design (Study period: 2015-2018)	The research Investigated the financial performance of listed Banks in Ghana during the period of 2015 to 2018 It Was Established that ROA, ROE, and NIM are the best measure of banks' profitability. The study revealed that the ROE and ROA where below the industry benchmark during the study period. It was also revealed that ROE and NIM exhibited a decreasing trend, and concluded that banks' financial performance was declining.	The study concentrates only on analysing financial performance. It does not analyse the factors that influence profitability potential. It also only analyses through comparisons of ROE and ROA. The present study will not make a comparison but will analyse the profit generation potential.
Muriithi, J. & Waweru, K. (2018): EU	Macroeconomic determinants of banks' profitability: Evidence from EU 27 banking systems	Quantitative research approach (Descriptive research design)	The study identifies the main macroeconomic factors that affected the profitability of EU commercial banks over the period from 2008 to 2017. It was established that the exchange rate risk and inflationary pressure had significant negative impact on banks profitability (ROA). The GDP had an	The study mainly concentrates on macro-economic factors that affect profitability it does not fully analyse the potential power of commercial banks. The study looks at banks where are in developed countries the

			insignificant positive impact banks' profitability (ROA).	present-day study will look try to investigate a bank in a developing country.
Petria, N. & Capraru, R. (2017): Nigeria	Determinants of banks' profitability. The case study of Nigeria.	Quantitative research approach	The study looked at Credit risk and liquidity risk and their significant negative impact on banks' profitability (ROE). The study reveals that Interest rates and banks' concentration were identified as industry specific factors. But they had an insignificant relationship with banks profitability (ROE).	The study concentrates mainly on two external factors of concern that affect bank profitability, the present-day study will address the issue of bank profitability potential and the internal factors that affect profitability.
Zhang, M. & Wen, J. (2017) China	Profitability analysis on King Long Motor Company Ltd.	Quantitative research approach (Study period: 2009-2014)	The study determines the management ability to generate return to its shareholders. The study reveals that relatively stable ROA, ROIC and ROE and slightly higher than the industry benchmark, and concluded that there was a superb management efficiency	The study does not investigate fully the internal factors that affect profitability. It also only concentrates on wealth creation. The study was also conducted in a fast-growing economy.
Venkateswararao, P. (2017): India	Profitability analysis of micro enterprises: A case study of	Quantitative: Exploratory research design.	The study determines management's efficiency in generating profits and returns to shareholders. The study revealed that profitability ratios were relatively uniform,	The study used exploratory research design. The present study will use a research design.

	Laxmi Vinay Poly Ltd.	(Study period: 2009-2016)	indicating less volatility in management's efficiency. Further ROA exhibited a downward trend from 2012 - 2016 and the study concluded that there was poor management.	The study was conducted in a different fast-growing economy.
Tulsian, M. (2014) India	Profitability analysis: Comparative study of Sail and Tata steels Ltd.	Quantitative: Descriptive Research design (Study period 2005-2009)	The study concentrates at determining financial performance of Sail and Tata steel, the study revealed that. Gross profit margins and ROE for both companies followed a decreasing trend during the study period and concluded that there was poor management ability to generate profit and return for the shareholders	The study is a comparative study. It doesn't further investigate the potential power of bank profitability. The study was conducted in a different fast-growing economy.
Naminda Momba (2019)	The determinants of bank profitability in Zambia	Quantitative data: Descriptive Research design (study period 2019)	Determining Financial performance of Zambian Commercial Banks Results indicate that banks pay more to depositors than they receive from loans and that most of their profit is relatively derived from operational income rather than interest-based income. Bank efficiency is observed to	The study is descriptive research that mainly concentrates on various commercial banks. The present-day study will be a case study that will investigate only on Zanaco.

			have a positive significant impact on NIM only.	
Jongh, E., Jongh, D., Jongh, R., & Vuuren, G. (2013)	A review of operational risk in banks and its role in the 2008 financial crisis.	A critical review in literature	The study conducted a critical review on the operation risk and its role in the 2008 financial crisis. Indicate, inadequate management of operational risks in banks and mortgage brokers in the USA led to the 2008 financial crisis.	The study was a review of the banking sector, during the 2008 financial crisis. It doesn't cover a wide range of issues besides the financial crisis that affect bank profitability. The research is a critical review the present-day study is research. The study looks at banks where are in developed countries the present-day study will look try to investigate a bank in a developing country.

Source of table: constructed by the researcher

Table 3.2

2.8 Knowledge Gaps

As observed from the reviewed literature, most of the researchers generally focused their analysis on describing the trend of the profitability ratios. They however, failed to provide an in-depth explanation of the factors that were influencing the behavior of the profitability ratios due to the limiting research designs and short study periods that were utilized. Furthermore, most of the empirical studies utilized return ratios, especially ROA and ROE, as proxy of profitability and ignored margin ratios which are believed to be good indicators of management efficiency in turning sales into profit. The problem of the commonly used return ratio ROE is that it is very easy to manipulate by adding more debt than equity of a corporation. It will take time for the interest cost to show up in the financial leverage and during that period this ratio may look artificially attractive. It may also boost the ROE in a manner that is not sustainable.

Furthermore, empirical studies focused on providing profitability outlook of commercial banks in the Zambian context are lacking. Thus, this study attempts to fill up the identified research gap by utilizing a more robust research design, a longer study period and include both return ratios and margin ratios in the analysis so as obtain more reliable descriptive characteristics of ZANACO's profitability ratios and pinpoint key factors influencing the ratios.

CHAPTER 3

THEORETICAL AND CONCEPTUAL FRAMEWORK

3.1 Theoretical Framework

3.1.1 The Uncertainty Bearing Theory of Profits

Profit is a reward of risk that an entrepreneur receives after taking a risk. Which is applicable in the banking sector. Considering the nature of financial business model, financial risks are the major factors influencing profit generating potential of commercial banks. A prosperous bank is that which can strategically mitigate risks and creating significant returns for the shareholders on a consistent basis (Gwahula, 2013). This ideology is anchored on the "Uncertainty Bearing Theory of Profits" which was propounded by an American economist Prof. Frank. H. Knight (Hosen, 2022). According to Prof. Knight, pure profits are directly linked with uncertainty and non-insurable risk bearing. He distinguishes between insurable and non-insurable risks. Certain risks are measurable, the probability of their occurrence can be statistically calculated. The risks of fire, theft, flood and death by accidents are insurable. These risks are borne by the insurance company. The premium paid for insurance is included in the cost of production. According to Knight these foreseen risks are not genuine economic risks eligible for any remuneration of profit. It's only the risks that cannot be foreseen with certainty and accurately measured, that become non-insurable and give rise to economic profits when they are properly managed.

According to Petria et al. (2015) and Jongh et al (2013), credit risks, liquidity risks and operational risks are the main bank-specific factors that cannot be foreseen with certainty in the banking industry. They are internal risk factors that greatly affects the profitability of all commercial banks (Olufemi, 2021). As such, bearing these risks with an effective management system in place intended to keep them in desirable levels will ensure that banks generate profits and sustain their competitiveness in the industry.

In addition, Prof. Frank. H. Knight indicated that there are also external risk factors like risk of government interventions, and cyclical risks that influence firms' profitability. The government, in course of time, interferes into the affairs of the banking industry through tax policy instruments, money supply instruments, and transactional restrictions, etc., which influences banks' profit generation. The cyclical risk emerges from business or economic cycles. During the business recession which was brought by the COVID 19 pandemic, for

instance, economic activities slowed down and this had a dampening effect on firms' profit generation.

Unlike the bank-specific factors, government/central bank interventions and cyclical risks are regarded as external factors by banks and they have no control over them. For example, if the government abruptly subject banks to unfavourable taxes, this will negatively influence their profit generating potential. Clearly, they will have no control over the tax decision but only to come up with adaptive measures for the new business environment. For bank specific factors (internal risk factors), on the other hand, banks exercise control over them and studies have shown that they were the cause of the 2008 global financial crisis and Zambia's financial crisis in 1990s. This implies that bank specific factors are very important determinants of banks' profitability.

3.1.2 Frictional Theory of Profits

This theory states that there exists a normal rate of profit which is a return on capital that must be paid to the owners of capital as a reward for saving and investment of their funds rather than to consume all their income or hoard them (Makadok, 2011). The augment behind this theory is that in a static economy where no unexpected vicissitudes in demand or cost conditions occur, in long-run equilibrium the company would be earning only normal rate of profit on their capital and entrepreneurial talent. Under these conditions economic profits would not accrue to the firms (Almaskati, 2022). Additionally, frictional theory of profit explains that shocks or disturbances occasionally occur in an economy as a result of unanticipated changes in product demand or cost conditions which cause disequilibrium conditions. It is these disequilibrium conditions that brings into existence positive or negative economic profits for some firms. Therefore, the frictional theory, economic profits exist for some time because of frictional factors which prevent an instantons adjustment of the system to the new conditions

3.1.3 Monopoly Theory of Profits

This theory explains that above-normal profits is attributed to monopolise influence power enjoyed by firms (Makadok, 2011). It is inevitable that firms with monopoly power restrict output and charge higher prices than under perfect competition. This causes above-normal profits to be earned by the monopolistic firms. A number of scholars have attributed super-normal profits with monopoly power enjoyed by some firms, which arise as a result of strong barriers to the entry of new firms, it is well known that monopolistic companies may continue to earn economic profits even in the long run, this monopolistic power may come up because of sole control over some essential raw material required for the production of

a commodity, from economies of scale, from legal sanction or from ownership patents, from Government restrictions on the import of a commodity (Murphy & Walsh, 2022).

3.1.4 Innovations Theory of Profits

This theory of profits explains that economic profits arise because of successful innovations introduced by the entrepreneurs, to their business (Makadok, 2011).The main purpose of the entrepreneur is to familiarize innovations in the economy and profits are reward for his performing this function. Therefore, innovation is basically a new measure or policy adopted by an entrepreneur to reduce their cost of production or to increase the demand for. Innovation can therefore be divided into two which include cost of production reduction, which are innovations are included through the introduction of a new machinery, new and cheaper technique or process of production, exploitation of a new source of raw materials, a new and better method of organising the firm, etc. Secondary innovations that increase the demand for the product. In this category are included the introduction of a new product, a new variety or design of the product, a new and superior method of advertisement, discovery of new markets etc. An effective innovation is that which achieves either of the two (Lotto & Papavasillion, 2019). It can therefore not be ignored that profits arise as a result of successful innovations either cost falls below the prevailing price of the product or the entrepreneur is able to sell more and at a better price than before.

3.1.5 Managerial Efficiency Theory of Profits

Managerial efficiency theory of profits recognizes that some firms are more efficient than others in terms of management of productive operations and successfully meeting the needs of consumers (Makadok, 2011). The theory further states that companies with average level of efficiency mostly earns average rate of return, undoubtedly companies with higher managerial skills and production efficiency are required to be compensated by above-normal profits (i.e. economic profits). Therefore, this theory is also called compensatory theory of profits.

3.2. The Conceptual Framework

Based on the reviewed theories and prior empirical studies, the formulated conceptual framework shows that the profitability of commercial banks is directly linked to bank specific and external factors, thus the independent variable is bank specific indicator such as profitability and external factors, whereas the dependent variable is bank profitability.

Commercial bank loans being the major portion of banks' earnings, for instance, need to be issued out to customers in order to make profit and maintain their competitive position in the banking industry even though this automatically expose them to different credit risks, there is

need to maximize return to shareholders through increased sales, these factors have a bearing towards profitability of commercial banks. One of the major determinates to profitability is liquidity, prior empirical studies on the 2006-2008 global financial crisis clearly shows that liquidity risk is a serious internal factor that threatens the financial soundness of commercial banks. Primarily, an inadequate level of liquidity resulting from high liquidity risk exposure may lead to desperate need for additional sources of fund with its associated higher costs which erodes banks' profits.

Furthermore, lack of internal controls within a bank, technological failures, mismanagement, human error or lack of employee training can clearly lead a typical bank into incurring unnecessary operating expenses which ultimately results to significant financial losses. As such the conceptual framework, shows that bank profitability is largely impacted by both internal and external factors which affect profitability as alluded by the uncertainly bearing theory.

Figure 1.3. Conceptual Framework

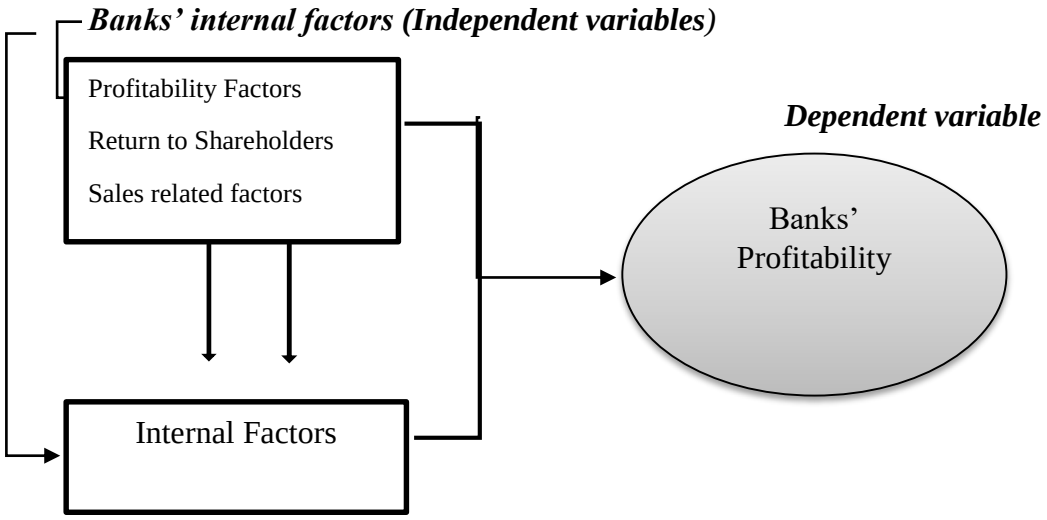

Figure 1.3

Source: Author(s)

CHAPTER 4

RESEARCH METHODOLOGY

4.1. Research Design

In order to achieve the objectives of this study, the researcher adopted a mixed research approach. That is, both qualitative research approach and quantitative research approach was used by the researcher so as to provide an in-depth understanding of the research questions. In this regard, a sequential explanatory research design was used as the strategy of research inquiry. According to Creswell (2003), the adopted research design is a two-phase project, involving:

i. Phase one: Collection and analysis of quantitative data,
ii. Phase two: Collection and analysis of qualitative data.

Thus, the researcher started by collecting and analysing quantitative data then proceeded to collecting and analysis of qualitative data. The researcher adopted this research design so as to use qualitative results from targeted respondents at ZANACO and assist in explaining and interpreting of the findings of a quantitative results that were obtained from analysing ZANACO's annual financial statements.

The researcher undertook the study because of motivation of class exercise on Zanaco's financial statement analysis, which still needed in-depth investigation.

First Phase: Phase one: Collection and analysis of quantitative data

This phase was based on secondary data that was collected from ZANACOs' annual financial statements. Thus, Annual financial statements ranging from 2016-2021 were used as instruments for secondary data collection. The study specifically collected time series data on the following time frame: 31st December, 2016 to 31st December, 2021. Table 3.1 summarises the main variables from ZANACO's financial statements on which data for computing selected profitability ratios was collected.

4.2 Data collection

The data collected i.e.; financial reports were attained through secondary research on the bank's website. Period in question was between 2016 to 2021. Only audited financial statements were considered. Collection of secondary data was used because it would give accurate information on Zanaco's profitability in the years under review.

Table 4.4. Data collection

Financial Statements	Variables on which data will be collected
Income Statements	Gross revenues, Total operating income, Net income, Interest expenses, & Tax expenses
Cash Flow Statements	Depreciation expenses, & Amortisation expenses
Balance Sheet Statements	Total assets, Total equities, Total debt, & Cash and balances with BOZ.

. *Table 4.4*

A questionnaire was also used so as to get in-depth first-hand information with regards to other factors that may have contributed to Zanaco's profitability.

4.5 Data analysis

The research used the following profitability ratios to ascertain profitability: Liquidity, solvency, and profitability, all financial information was collected from 2016-2021. Quantitative data was analysed using SPSS, (Descriptive, and inferential) and MS Excel, where different tests were run.

4.6 Reliability and validity

The secondary data of the study was realisable because most information used was collected from audited financial statements from the period of 2016-2021, additionally, the formulas for calculating profitability used were also from one main source, which increases the reliability and validity of the research and also brings consistency. Primary data was tested using flessir multirrter kapper in which the tested .015 significant figure indicating that the data was reliable

Overall Agreement						
	Kappa	Asymptotic			Asymptotic 95% Confidence Interval	
		Standard Error	Z	Sig.	Lower Bound	Upper Bound
Overall Agreement	.143	.059	2.433	.015	.139	.147
a. Sample data contains 35 effective subjects and 3 raters.						

Table 5.4

4.4 Sampling framework

A simple random sample of 54 respondents was used as a targeted research sample, where the necessary primary data was collected. The sample size of 54 was determined by the Taro Yamane formula (Yamane, 1967):

$$n = \frac{N}{1 + N(e)^2} = \frac{63}{1 + 63(0.05)^2} \approx 54.76$$

The study however collected 35 respondents who answered the questionnaire, representing a 65% response rate.

4.5 Research instruments for primary data collection

The instruments that were used to collect this type of data was semi-structured questionnaire, the questions contained both open and closed ended questions.

4.4. Data analysis method

The data that was collected from questionnaires was analysed using the Qualitative content analysis approach. The following are the main steps that were undertaken during the analysis process;

First step: The captured data was summarized using data coding techniques so that the data could be easily analysed. During the data coding process, numerical data was divided into manageable sub-groups. Then, each group was assigned a different number in ascending order. Similarly, categorical data involving responses from closed ended questions (such as Yes or No) was assigned numbers in ascending order. Lastly, for qualitative data that involved description responses, non-numerical codes (phrases or sentences) was assigned to each description to describe their content.

Second step: The researcher generated themes by looking at the assigned codes and identifying underlying patterns. The research objectives and the findings from the first phase of the analysis was used as a basis on which themes were generated and used as categories for data analysis. SPSS 21 was employed by the researcher because of its ability to formulate descriptive and inferential statistics.

Data collected from secondary sources was analysed using excel, this is so because excel has the capability to show trend of profitability through graphs and charts, thus the preferred option.

4.5 Ethical issues

In order to minimise the risk of making mistakes that are of real consequence to the study participants, and enhance validity as well the integrity of this research, the researcher employed the following research ethics:

i. The researcher sought permission in writing to carry out the research in all relevant departments at ZANACO, explaining clearly the research topic, benefits and purpose of the study.

ii. The researcher ensured that the rights of all participants were not violated by obtaining informed consent from participants before the actual data collection exercise. Furthermore, the researcher will agree with the participants on dates for data collection and participants will be allowed to withdraw from the data collection exercise when they feel uncomfortable participating in it.

iii. Furthermore, the researcher ensured confidentiality of the data collected and the data will only be used for academic research purposes. The anonymity for the study participants were also assured that their names will not be mentioned or stated in the research study.

iv. Lastly, all prior works was duly acknowledged through appropriate citations and the study was accurately and honestly presents the actual findings of the study.

CHAPTER 5

PRESENTATION AND DISCUSSION OF FINDINGS

5.1 Overview

This chapter shows the findings of the study, from secondary information, where the following ratios were calculated: Profitability, solvency and liquidity ratios, also included is primary information collected from various respondents, analysed in descriptive and inferential statistics. The study was based on financial analysis Zanaco' as such was limited to only one Zambian Commercial bank, with three main objectives: (a) Accessing Zanaco's ability to generate return to its shareholders, for the period 2016-2021 (b) To determine Zambia National Commercial Bank's ability to convert sales into profit during the period 2016-2021 (c) To identify internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2016-2021. Objective (a) and (b) Used document review of audited financial statement, whereas objective (c) used primary source of data. The findings of the study are clearly solidified in this section.

5.2 Zambia National Commercial Bank's Ability to Generate Return to Its Shareholders during the Period 2016-2021

5.2.1 Return on Assets (ROA)

ROA measures how effectively a company's assets are being used to generate profits. (J, 2014) It is the most important ratio in assessing the progression of a business. A higher number reflects a well-managed company with and a stable return on assets. ROA measures how effective a company's asset can generate revenue. Consequently, table 6, shows the calculated 2016-9.74%,2017-9.6%, 2018-8.2%, 2019-7.6% 2020-7.5% and 2021-9.71. It can be seen that the ROA of Zanaco was high from 2016-2017, the was a decline from 2018-2020, then the ROA improved in 2021.

Return on Assets (2016-2021)

Year	Net Income	Total Assets	ROA	%	Acceptable Rate
2016	796709	8175485	0.097451	9.74	5%
2017	918025	9543088	0.096198	9.6	5%
2018	879590	10614067	0.08287	8.2	5%
2019	904638	11885289	0.076114	7.6	5%
2020	1449696	19340292	0.074957	7.5	5%
2021	2538687	26104104	0.097252	9.71	5%
Mean				7.5	

Table 6.5

Figure 2 shows the trend of the ROA through a graph from period 2016-2021, it can clearly be seen that Zanaco's ROA has flaucated over the period under review

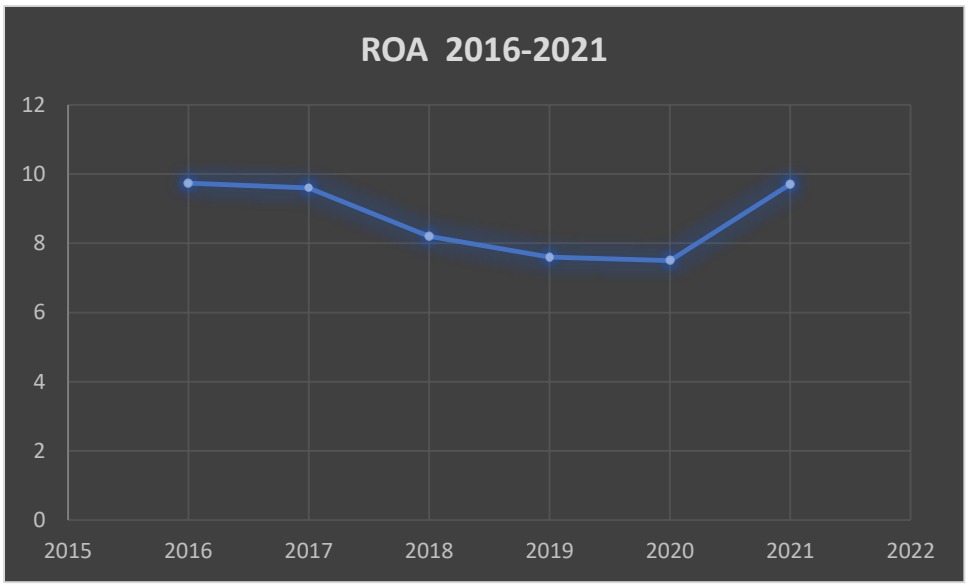

Figure 2.5

5.2.2 Return on Equity

This ratio expresses the rate of return on equity capital employed and measures the ability of a company's management to realize an adequate return on the capital invested by the owners in a company. A higher number is preferred for this commonly analysed ratio. (Mitchell Franklin Patty Francklin, 2010). The ROE ratio measures the ability to raise profits from the investments of stockholders. Table 7 shows that the ROE has been inconsistent over the years, with, 2016-0.73,2017-0.89, 2018-1.07,2019-0.96 and 2020-1.23. It can be seen that the ROE has been low from 2018-19 and with consistent improvement from 2020-21

Return on Equity 2016-2021				
Year	Net Income	SHW	ROE	Acceptable Rate
2016	796709	1081063	0.736968	0.20
2017	918025	1024052	0.896463	0.20
2018	879590	820908	1.071484	0.20
2019	904638	940879	0.961482	0.20
2020	1449869	1171798	1.237303	0.20
2021	2538687	2053652	1.236182	0.20
Mean			0.328818	

Table 7.5

Figure 3 shows the trend of the ROE through a graph from period 2016-2021, it can clearly be seen that Zanaco's ROE has flaucated over the period under review, with 2015 recording the lowest.

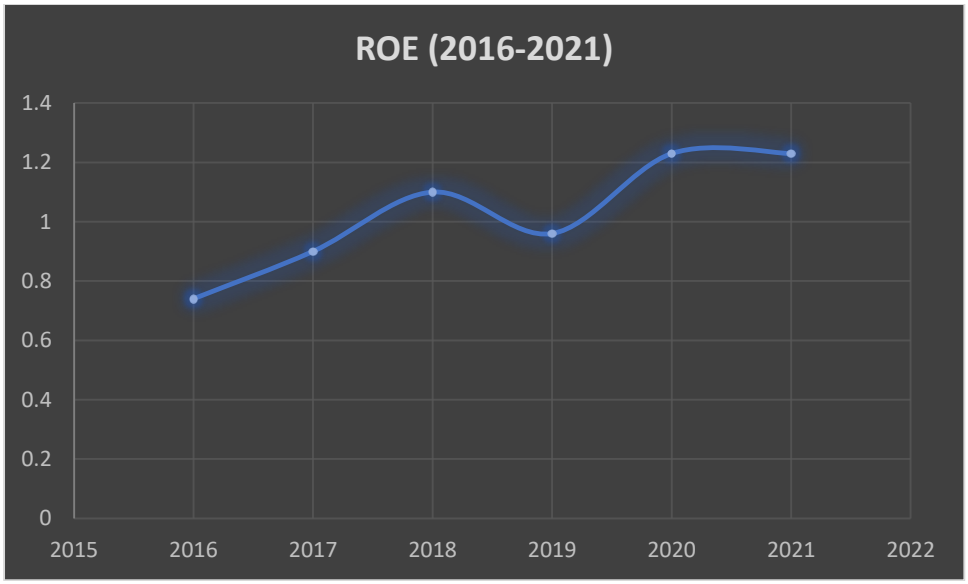

Figure 3.5

5.2.3 Return on Capital Employed (ROCE)

Table 4 shows the return on capital employed (ROCE). This is a prevalent profitability ratio that is mostly used to assess how better the investment has performed. It can be seen from the table that the ROCE has been poor over the years under review as despite the ratio improving from 2019 -2021 regardless of the improvement all ratios are below 1 presenting a poor return on investment for Zanaco.

Return on Capital Employed				
Year	Net Profit	Invested Capital	ROCE	Acceptable Rate
2016	30106	1081063	0.027849	0.10
2017	114119	1024052	0.111439	0.10
2018	183733	10614067	0.01731	0.10
2019	214654	940879	0.228142	0.10
2020	234508	1214247	0.19313	0.10
2021	1039820	2145638	0.48462	

Table 8.5

Figure 4 shows the trend of the ROCE through a graph from period 2016-2021, it can clearly be seen that Zanaco's ROCE has flaucated over the period under review, showing that it has been low from 2016-2018 and showing slight improvements between 2019-2021.

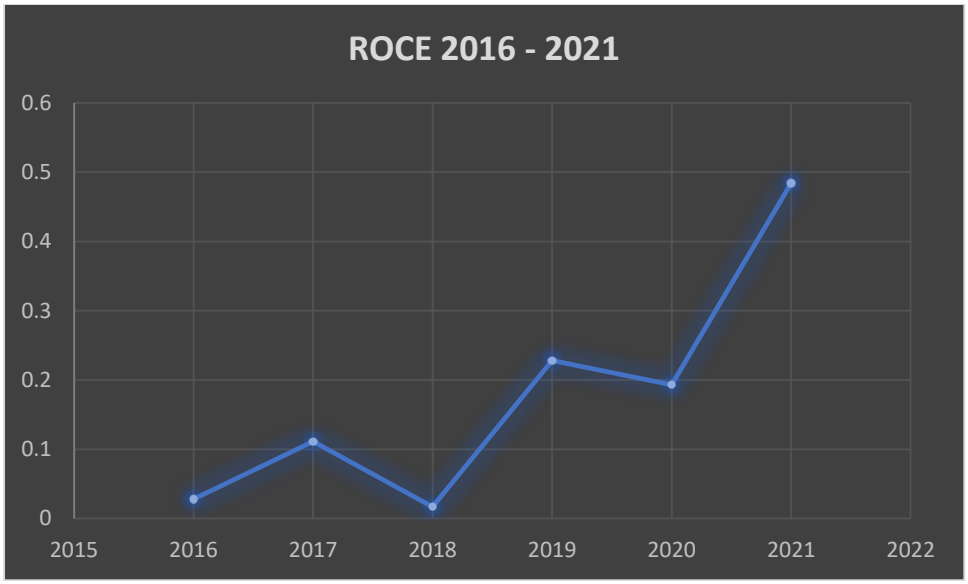

Figure 4.5

5.2.4 Earnings Per Share EPS

Earnings per share or EPS is a ratio of profitability and investment that shows how much a share will earn in the market economy EPS is considered as a ratio that is used by investors to compare a company's profitability with another company. A high EPS ratio is considered profitable and good paying and a low EPS (Buffett, 2015). Table 10 shows the EPS trend of Zanaco, 2016-0.021, 2017-0.097, 2018-0.127, 2019-0.139, 2020-0.143, and 2021-0.68. It can be seen the EPS was low from 2016-2017 but improved in 2018 with 2021 having the highest regardless of the improvement Zanaco has a very low EPS.

EPS (2016-2021)

Year	EPS
2016	0.021
2017	0.097
2018	0.127
2019	0.139
2020	0.143
2021	0.686
Mean	0.016

Table 9.5

Figure 5 shows the Enaring per Share (EPS) uisng a graph a graph from period 2016-2021, it can clearly be seen from the graph that Zanaco's EPS was slow in growth from 2016-2020 but drastically mproved in 2021.

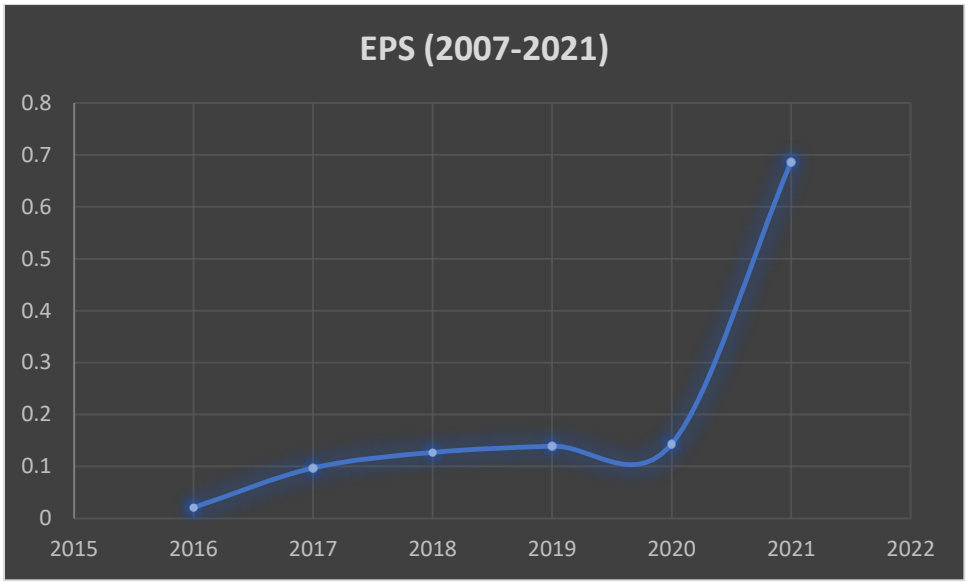

Figure 5.5

5.3 Zambia National Commercial Bank's ability to convert sales into profit during the period 2016-2021.

5.3.1 Net Profit Margin Ratio

The net profit margin is a ratio of profitability that measures the net income to the net revenue (Sufian & Chong, 2008). The trend of the NPM ratio was inconsistence in the NPM of Zanaco, as shown in table 10, 2016-2.93%, 2017- 23.6, 2018-14.9%, 2019-24.1%, 2020-9.6%, and 2021-27%, It can be seen that Zanaco was less profitable in 2016, but improved in 2017-2019, however declined in 2020 but improved in 2021. The ratios are below 50% therefore Zanaco has not been maximizing profits in the period under review

Net Profit Margin Ratio					
Year	Net Profit	Net Sales	NPM	%	Accepted Rate
2016	30106	1024236	0.029394	2.93%	10%
2017	290329	1225995	0.236811	23.6%	10%
2018	183733	1225995	0.149864	14.9%	10%
2019	325809	1351018	0.241158	24.1%	10%
2020	206658	2144984	0.096345	9.6%	10%
2021	990283	3537273	0.279957	27%	10%
Mean			0.029394	2.9%	

Table 10.5

Figure 6 shows the trend of the NPM through a graph from period 2016-2021, it can clearly be seen from the graph that Zanaco's prfitability has been inconsistent in the period under review.

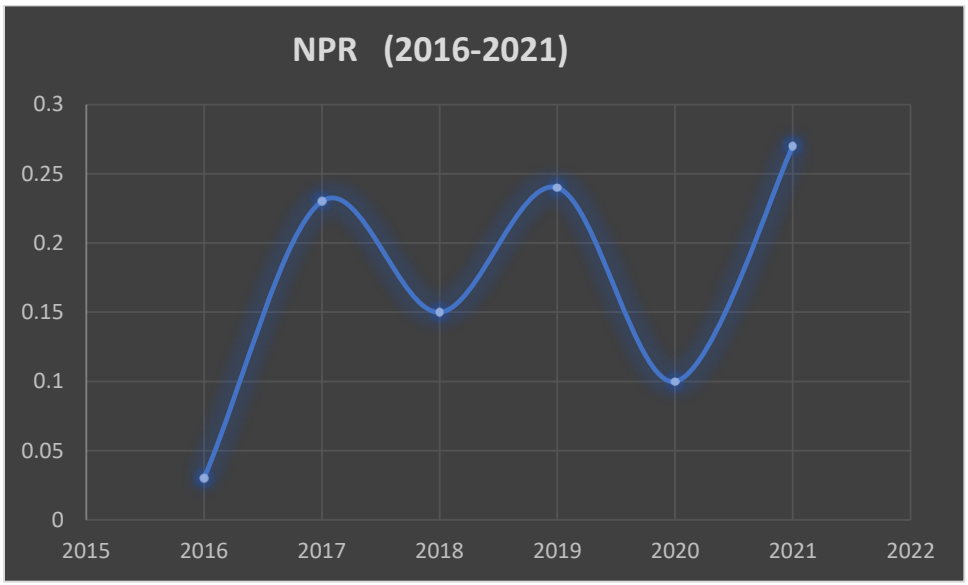

Figure 6.5

5.3.2 Cash Ratio

Cash ratio shows the instantaneous availability of cash to satisfy the short-term obligations. The other name for a cash ratio is the cash coverage ratio. Table 11 shows the cash ratio for the years 2016- 0.60, 2017- 0.67, 2018 0.58, 2019- 0.52, 2020- 0.58, and 2021. It can be seen that Zanaco cash ratio started reducing from 2018-2021, all the cash ratios are below 1 therefore implying that Zanaco does not have enough cash to sort out its short-term liabilities.

Cash Ratio= Cash+ Equivalents/Short term liabilities

Year	Cash equivalents	Short term Liabilities	Cash Ratio	Accepted Rate
2016	4149884	6819871	0.6084989	1
2017	5502889	8139617	0.6760624	1
2018	5537276	9441647	0.5864735	1
2019	5477181	10351305	0.5291295	1
2020	10193216	17546776	0.5809167	1
2021	12201840	22784764	0.5355263	

Table 11.5

Figure 7 shows the trend of the Cash ratio through a graph from period 2016-2021, it can clearly be seen that the cash ratio for Zanaco has been inconsistent for the peiord under review.

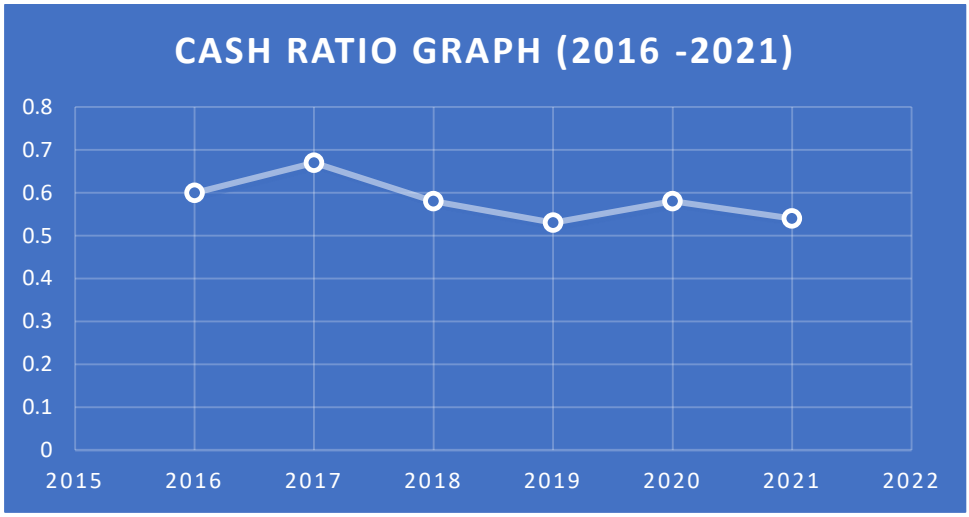

Figure 7.5

5.3.3 Pre-tax Margin Ratio

The Pre-tax Margin Ratio, also referred to Earnings Before Tax (EBT) ratio, is a ratio of profitability mostly used by market analysts and investors. The ratio is normally used in scrutinising the impartial profitability of a company's operations, this is so as it excludes tax expense. Consequently, table 12 shows the Pre-tax margin for Zanaco between 2016-2021 which reveal that 2016-0.89, 2017-0.69, 2018- 0.92 2019-1.07 2020 0.60 and 2021- 0.75 it can be noted that Zanaco's pre-tax ratio has been low despite in 2019.

Pre-tax Margin						
Year	Gross Profit	Interest Expense	Pretax Earnings	Sales	Pretax Ratio	Accepted Rate
2016	1143535	227527	916008	1024236	0.89433295	0.10
2017	1189330	346405	842925	1225995	0.68754359	0.10
2018	1453303	313526	1139777	1231551	0.92548096	0.10
2019	1864697	446380	1418317	1321250	1.07346604	0.10
2020	2000421	696508	1303913	2149207	0.60669493	0.10
2021	3570491	998586	2571905	3542594	0.72599485	0.10

Table 12.5

Figure 8 shows the trend of the pretax ratio through a graph from period 2016-2021, it can clearly be seen that the current ratio for Zanaco has been consistent for t he period under review.

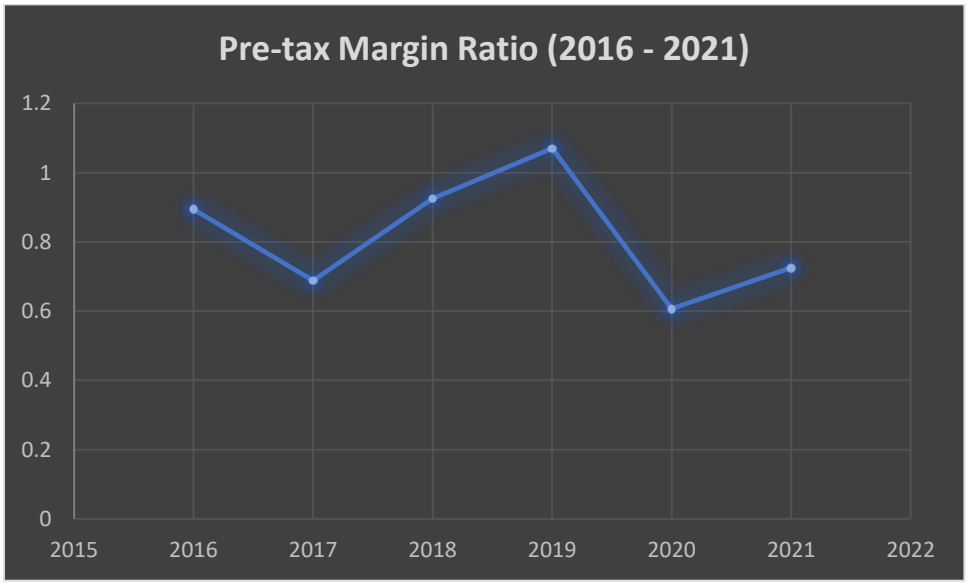

Figure 8.5

5.3.4 Operating Cash -flow Margin

The operating cash flow margin ratio is a ratio that shows how effectively a company converts sales to cash, it's a very good indicator of a company's earnings quality, as it measures cash from operating activities as a percentage of total sales revenue in a given period.

Consequently, table 13 shows the trend of CFM from the period 2016-2021 the results reveal that 2016-0.15, 2017, 0.239, 2018-0.40, 2019-0.38, 2020- 0.203 and 2021 was 0.608. It can be said that Zanaco has poor cash flow margin in the period under review.

Year	Net Revenue	Cash from Operations	Cash flow Margin	Accepted rate
2016	30100	197623	0.152310207	0.60
2017	114119	476015	0.239738244	0.60
2018	183733	450404	0.407929326	0.60
2019	214654	551216	0.38941903	0.60
2020	234508	1150652	0.203804452	0.60
2021	1039820	1707864	0.60884239	0.60

Table 13.5

Figure 9 shows the trend of the current ratio through a graph from period 2016-2021, it can clearly be seen that the has been so low and inconsistent in the years under reviw.

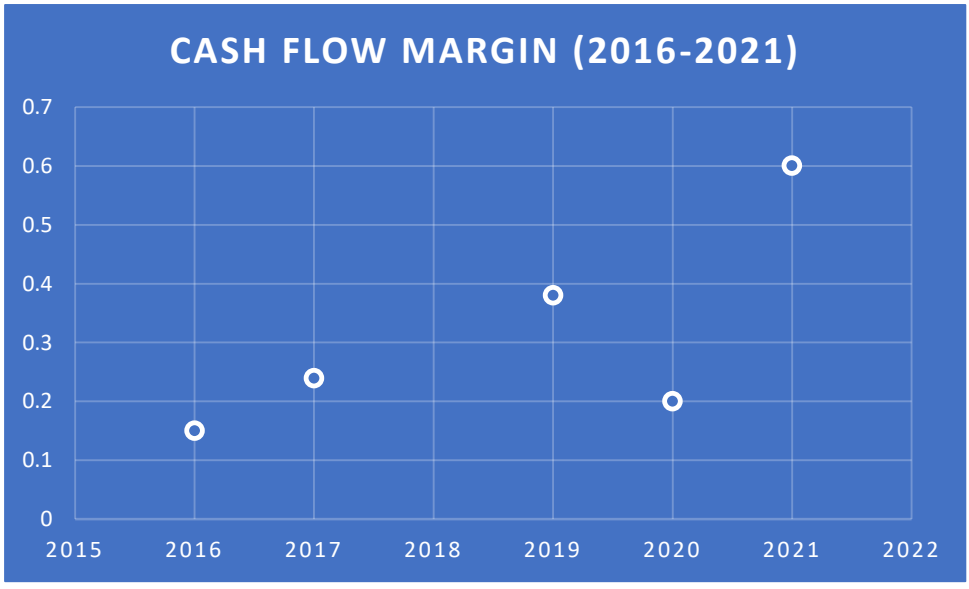

Figure 9.5

5.3.5 Operating expense ratio

Operation expense ratio calculated by (operational expenses/Total revenues), is a ratio that calculates the fraction of expenses that the business has incurred in comparison to its revenue,

it is also known as management expenses ratio as it calculates the amount of expenses management is exposes to. A low ratio of financial expenses is desired than a high ratio. (Albrecht & D, 2010), Table 11 consequently shows the trend in operational expenses, 2016-1.32, 2017-1.07, 2018-1.23, 2019-1.27, 2020-1.26, and 2021-1.01. It can be seen that Zanaco has had a high consistent OER in the period under review.

Operating expenses Ratio

Year	Expenses	Sales	OER	Accepted Rate
2016	1353666	1024236	1.321635	1
2017	1323271	1231559	1.074468	1
2018	1509379	1225995	1.231146	1
2019	1718372	1351018	1.271909	1
2020	2709744	2144984	1.263293	1
2021	3582113	3537273	1.012676	1
Mean			1.012676	

Table14..5

Figure 10 shows the trend of the oparational expense ratio through a graph from period 2016-2021, it can clearly be seen that Zanaco's expence ratio has been consistent despite in the year 2016 where a high OER was found.

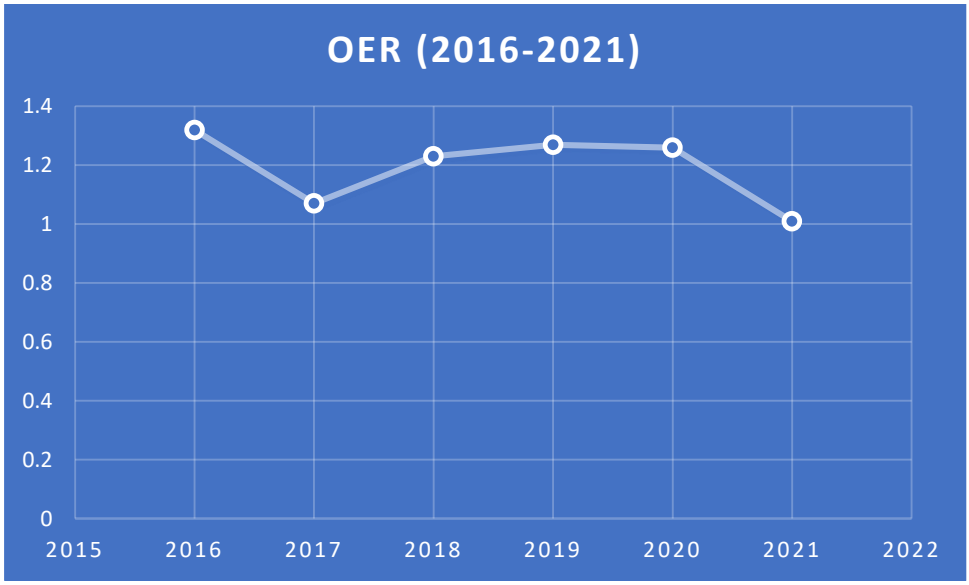

Figure 10.5

5.3.6 Operating Income Ratio

Operating income, is also referred to as the EBIT, earnings before interest and taxes, it is generally the amount of revenue left after deducting the operational direct and indirect costs from sales revenue. Table 15 consequently shows that the OIR for Zanaco was 2016-1.4, 2017-1.2, 2018-1.6, 2019-1.7 2020, 1.37 and 2021-1.4. This clearly shows that Zanaco's OIR has been increasing in the years under review.

Year	Operating Income	Net sales	OIR	Accepted Rate
2016	1143535	796709	1.435323	1
2017	1143535	918025	1.245647	1
2018	1453303	879590	1.65225	1
2019	1564697	904638	1.729639	1
2020	2000421	1453639	1.376147	1
2021	3570441	2544008	1.403471	1

Table 15.5

Figure 11 shows the trend of the oparational expense ratio through a graph from period 2016-2021, it can clearly be seen that Zanaco recorded the highest OIR in 2018 and 2019 despite which the ratio has been consistent.

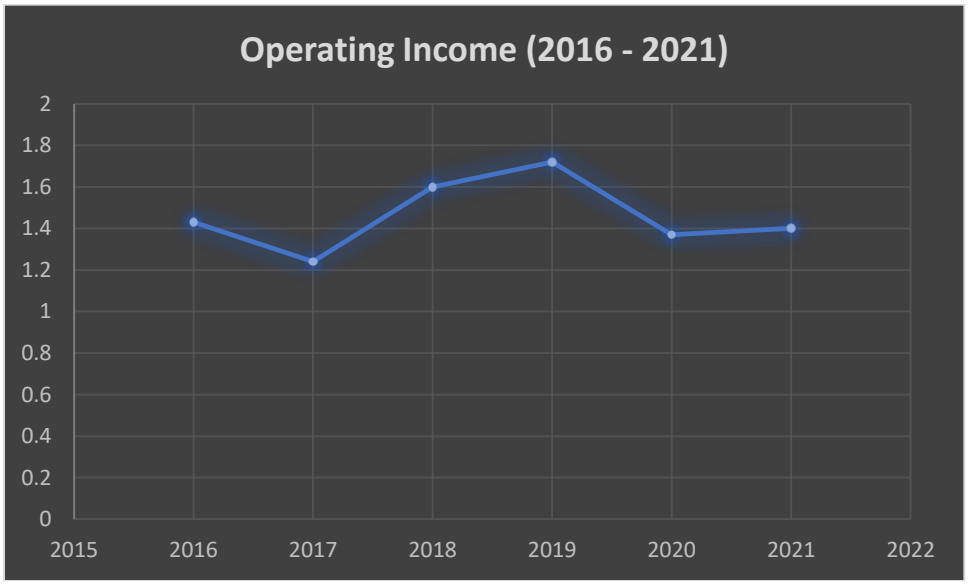

Figure 11.5

5.4 Internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2016-2021

5.4.1 Primary Information:

VARIABLE	*FREQUENCY*	*PERCENTAGE %*
Gender		
Male	14	40
Female	21	60
Total	35	100
AGE		
18-25	3	8.6
26-30	8	22.9
31-35	13	37.1
36-40	4	11.4
41 and above	7	20
Total	152	100
JOB LEVEL		
Operational	17	48.6
Strategic	5	14.3
Management	13	37.1
Inflation Impact on Zanaco		
Yes	35	100
No	0	0
Zanaco's		
Macro- Economic Impact on Profitability		
Yes	31	88.6
No	4	11.4
Zanaco's Liquidity and Impact on Profitability		
Yes	26	74.3
No	9	25.7

Table 16.5

Table 15 shows the descriptive statistics of the study. Which revealed the following information:

Sex: The study constituted of 14 males, representing 40% and 21 females representing 60%.

Age; The age of the participants included 18-25 were 14 8.6%, 26-30 were 8 representing 22.9%, 31-35 were 13, representing 37.1%, 36-40 were 4, representing 11.4 and those above 41 were 7 representing 20%.

Job level; the study reveals a combination of Job level, with 17 representing 48.6% working in the operational level, were 5 representing 14.3% work in the strategic position and 13 representing 37.1 are in management.

All the 35 participants agree that Zanaco was impacted by inflation rate in the period under review. additionally, 35 of the participants agree that Zanaco's profitability has been impacted greatly by Macro-Economic Factors were as 4 disagree. The findings of the study also show that 26 participants agree that Zanaco's liquidly affected profitability and 9 participants disagree.

Table 4 consequently shows the mean responses which examine the stability of balance from 2016-2021, Zanaco's performance of Size and credit quality from 2016-2021, Zanaco's Loan efficient and management in the period 2016-2021. Stability of Balance from 2016-2021 has a mode of 3 a median of 3.40 and mean of 3.50. comparing the three variables the most frequent is "Medium", These results suggests that the stability balance of Zanaco from 2016-2021 has been minimally impacted.

Zanaco's Performance of Size and Credit quality has a mode of 4 a mean of 4 and a median of 4, comparing the three variable the most frequent is 4 which falls on the scale of "Good". The results therefore suggest that Zanaco's performance of Size and credit quality has been good for the period under review.

Zanaco's Loan efficient and management has a mode of 4, mean of 4 and median of 4. Comparing the three variables the most frequent is 4 which falls under the scale of "Good". The results imply that Zanaco's loan and efficient management is "Good".

Zanaco's size, credit rating, and liquidity has a mode of 3.30, median of 3.40, and mean of 3.50. Comparing the three variables the most frequent is 3 falls under the scale of "Fair". The results imply that Zanaco's size, credit rating and liquidity is "Fair".

Zanaco's cost management effectiveness has a mode of 4.2, a median of 3.80 and a mean of 4.35. comparing the three variables the most frequent is 4 which falls under the scale of "Good". The results thus suggest that Zanaco's cost management and effectiveness is "Good".

Zanaco's effectiveness of Asset quality has a mode of 3.30, a median of 3.40 and a mean of 430.comparing the three variables the most frequent is 3 which falls under the scale of "Fair". The findings therefore suggest that Zanaco's effectiveness in asset quality is fair.

Frequency of Zanaco's number of loans it makes, and the amount of money it lends a mode of 4.2 a median of 4.90 and a mean of 5.1. Comparing the three mean, the most frequent is 4

falling in the scale of high. The findings therefore suggest that Zanaco's frequency of number of loans it makes and lends is high.

Zanaco's non-performing loans has a mode of 2.81, median of 2.91 and mean of 3.45, comparing the three variables the most frequent is 2 which falls in the scale of Low "Therefore the study suggests that Zanaco's non-performing loans are low.

Efficiency of Zanaco's management competences and its impact on Zanaco's profitability has a mode of 4, median of 4 and mean of 4. Comparing the three variables the most frequent is "Good". Therefore, the present study suggests that Zanaco's management competences and its impact on Zanaco's profitability is good.

Variable	Min Statistic	Max Statistic	Mode Statistic	Median Statistic	Mean Statistic	Std. Deviation Statistic	Remarks
Stability of Balance from 2016-2021	1	5	3	3.40	3.50	1.284	The mode Mean and median suggests that there has been medium impact on stability of bank balance from 2016-2021
Zanaco's Performance of Size and Credit quality	1	5	4	4	3.348	1.04	The mode and median suggest that Zanaco's performance on size and credit quality was Good, whereas the mean suggest that it was Neutral.
Zanaco's Loan efficient and management	1	5	4	4	4.31	3.89	The mode and median suggest, that Zanaco's loan efficient management is GOOD while the mean suggest that its FAIR
Zanaco's size, credit rating, and liquidity.	1	5	3.30	3.90	3.50	1.26	The mode, median and mean suggests that Zanaco's size credit rating, and liquidity, is fair.
Zanaco's cost management effectiveness	1	5	4.1	3.80	4.35	1.29	The mode, median and mean suggests that Zanaco's cost management effectiveness is good whereas the median suggest that its fair.

Effectiveness of Zanaco's Asset quality	1	5	3.30	3.40	4.20	1.29	The mode and the median suggest that Zanaco's asset quality is fair, whereas the mean suggests its High
frequency of Zanaco's number of loans it makes, and the amount of money it lends	1	5	4.2	4.90	5.1	1.54	The mode and the median suggest the frequency of number of loan and amount Zanaco lends is High, whereas the mean suggest that its very high
Zanaco's Non-performing loans (NPLs	1	5	2.51	2.91	3.45	1.28	The mode suggests the non-performing loans are low, whereas the median and mean suggest that there are fair
Efficiency on Zanaco's management competency and its impact on bank Profitability.	1	5	4	4	4	1.78	The mode suggests that efficiency of Zanaco's management competence and its impact on Zanaco's bank profitability is good.
Number of Responses	35						

Table 2.5

ROA Heavily depreciated assets, a large number of intangible assets, or any unusual income or expenses can easily distort this calculation.

5.4.2 Kendall's Correlation Coefficient

Kendall's correlation coefficient, compares different variables to access, their relationship to Zanaco bank profitability.

H_1- Compares stability of budget balances from 2016-2021, and Zanaco's loan efficient management reveals a strong positive correlation between the two variables. The significant (2 tailed) Correlation is at 0.09 bigger than the alpha value of 0.05 thus the null hypothesis has been rejected despite the strong correction the two variables are not statistically significant. Indicating that the hypothesis of a relationship between stability of budget balances from 2016-2021, and Zanaco's loan efficient management been rejected.

H_2 Compares Zanaco's liquidity and Impact to profitability Performance of Size and Credit quality - Zanaco's liquidity and Impact to profitability reveals a 0.05 correlation coefficient showing a strong positive correlation between the two variables. The significant (2 tailed) Correlation is 0.05 same as the alpha value of 0.05 thus the null hypothesis has been accepted meaning that the two variables are statistically significant. Indicating that the hypothesis, of

the relationship between Zanaco's liquidity and Impact to profitability Performance of Size and Credit quality - Zanaco's liquidity and Impact to profitability accepted.

H_3 Macro-economic policies Impact on Zanaco's Profitability- Performance of Size and Credit quality, reveals a 0.099 correlation coefficient showing a strong positive correlation between the two variables. The significant (2 tailed) Correlation is 0.099 smaller than the alpha value of 0.10 thus the null hypothesis has been accepted meaning that the two variables are statistically significant. Indicating that the hypothesis, of the relationship between Macro-economic policies Impact on Zanaco's Profitability- Performance of Size and Credit been accepted.

Variables Correlated	Correlation Coefficient	Sig(2 Tailed)	Correlation sig at	Comment
H_1 Stability of Balance Budget balances from 2016-2021- Zanaco's Loan efficient Management	0.18	0.09	0.05	Significant reject alternative hypothesis.
H2 Zanaco's liquidity and Impact to profitability Performance of Size and Credit quality - Zanaco's liquidity and Impact to profitability	0.93	0.05	0.05	Significant accept alternative null hypothesis.
H3 Macro-economic policies Impact on Zanaco's Profitability- Performance of Size and Credit quality	0.265	0.099	0.10	significant accept alternative null hypothesis.

Table 3.5

5.5 DISCUSSION OF FINDINGS

5.5.1 Zambia National Commercial Bank's ability to generate return to its shareholders during the period 2016-2021

5.5.1.1 Return on Assets (ROA)

The results have revealed a high ROA in the first two years of the period under review however there was a decline from 2018-2020, this implies that the company was not using its assets to efficiently generate returns these findings are in line with the findings of (Chishiba, 2019). The reduction of the ROA from 2018 can be contributed to adverse economic impact and the emergence of COVID-19 which hampered the bank from effectively utilizing its assets. Notably all calculated ROA for the years under review are above 5% these findings are in line with the findings of (Chishiba, 2019). A ROA ratio of greater than 5% is considered good. Therefore, the banks ROA was greater than 5% implying that the bank is attractive to investors, since it shows the bank's assets are being well used to generate massive amounts of income. This shows that Zanaco have good management of the company's assets to generate income, these findings are consistent with the mmanagerial efficiency theory of profits which recognizes that some firms are more efficient than others in terms of management of productive operations and successfully meeting the needs of consumers (Makadok, 2011), this shows that Zanaco is able to harness its assets more efficiently to generate profit, because of this the bank is capable of making potential investors of Zanaco attracted to this ratio because it shows how effectively the bank uses its internal sources to generate income thus establishing the feasibility of that company's existence. As it typically intel's that the earnings are solely from the assets or capital invested in the business. It also gives investors an overview of how operational the company is mostly in the conversion of money invested through assets to invest in net income, showing that the bank is able to earn more money with a smaller investment, thus making it good investment for investors.

5.6.1.2 Return of Equity

The ROE ratio enables the measurement of the company's strength in raising profits from the investments of stockholders. The mean calculated ratio is stable this is so a ROE ratio of between 15% and 20% is considered good (Zawadi, 2014). The findings have revealed that Zanaco has a stable ROE in the years under review, as its grantees a return on shareholder's investment, these results are consistent with the uncertainty bearing theory of profit which states that profit is a reward of risk that an entrepreneur receives after taking a risk, applicable in the banking sector financial risks are the major factors influencing profit generating potential of commercial banks. (Gwahula, 2013). The findings imply that Zanaco has a stable ROE ratio

which is a good sign for investors who would want to invest in Zanaco which showing that Zanaco utilities its Shareholder's Money competently, this is so because ROE matches the effectiveness of utilizing investor's capital into generating income and profits, aspect that have ensured that Zanaco stays afloat is capital adequacy and the liquidity size of the bank.

A study by (Gwahula, 2013), found that most commercial banks in East Africa have a very good ROE, which implies that the higher the ROE the more likely efficient the company's operation is on making use of shareholders' funds, it is thus common to find that companies with high ROE have higher PE and PB ratio when compared to low ROE company.

Banks with a good ROE also gives an indication that there are profitable as is the case of Zanaco meaning that Zanaco also is efficient at using its retained earnings which now act as a source of capital for the bank this means that Zanaco uses most of its retained earnings to fund its business expenditures since internal source of funding is free from any interest expense, this gives Zanaco huge borrowing capacity because retained earnings has minimal risks as it does not increase the debt of the company. Lastly the high ROE ratio that Zanaco has also means that the bank has been upholding incomes and ROE is increasing, showing that the company is generating revenues from the retained earnings, showing that Zanaco does not keep its retained earnings in the reserves but instead invest the retained earning heavily (Buffett, 2015). Additionally, the high mean ROE calculated also talks that Zanaco has a huge economic moat. Meaning that Zanaco has the ability to retain competitive advantages over its competitors through protecting their long-term profits and market share in the market. This is evident with how it has paid off in the long run as Zanaco has invested in good quality business. The good most economy means that Zanaco is more likely to generate economic profits for a longer stretch of time (Chishiba, 2019). As such a with the moat, economic cash flow of Zanaco means that Zanaco is able to reinvest those cash flows at a high rate of return for a longer period of time.

5.5.1.3 Earnings Per Share

The findings reveal that Zanaco has a low EPS, in the period under review, showing the EPS is a true depiction of what the company really earned. The EPS is mostly tied to dividend payout it is therefore plausible that Zanaco has not been paying consistent dividend to its shareholders owing because of its low EPS, this is in conflict with the fractional theory of profitability which holds that there exists a normal rate of profit which is a return on capital that must be paid to the owners of capital as a reward for saving and investment of their funds rather than to consume all their income or hoard them (Makadok, 2011). The low EPS of Zanaco may have been influenced by Zanaco's net income, this is so because EPS is normally

tied to a company's net income (Fridson & Alvaraz, 2013). This is so because when a company's net income increases, the EPS typically increases, signaling higher profitability which can attract investors. Sign enough that Zanaco has not been maximizing its profit due to a decline in net income, which has led to a decrease in EPS and potentially deter investors. The other plausible reason for a decreased EPS for Zanaco is that in the quest of massive investment the company issued out more shares, normally without a proportional upsurge in net income, this is so as EPS can decrease when earnings are spread over a larger number of shares, (Mirzaei, et al., 2013) which should be the case with Zanaco. One possible solution to increase EPS in this case is for Zanaco to increase its income while reducing its operational expenses, the bank can also repurchase its own shares, which has the ability to increase EPS by concentrating earnings among fewer shares.

The other factor that may have caused Zanaco to have a low EPS is the payment of dividends on preferred stock, which has the ability to decrease the portion available for common stock (Mitchell Franklin Patty Francklin, 2010) thereby reducing Zanaco's EPS. The other factor that may have caused Zanaco to have a low EPS is the conversion of stock options and convertible securities, to common stock (whithead, 2020) may have diluted Zanaco's EPS. Zanaco has invested in a lot of capital expenditure which may have impacted net income therefore affecting Zanaco's EPS (Gwahula, 2013). There have been a lot of changes and development in the economic and industry trends which may have impacted Zanaco's EPS as noted by (Sanchez & Barkus, 2013), extensive economic factors and trends in industries have the capability of affecting the company's income therefore affecting EPS, which is evident with the impact of COVID-19 to the banking sector and emergency of mobile money services , consumer behavior as well as changes in government industrial regulation may have impacted Zanaco's EPS.

5.5.1.4 Return on Capital Employed

The results have shown that over the years under review Zanaco has low return on investments ratios basically a higher ROCE implies that the returns are higher than the cost of the investment on the other hand Zanaco has a low ROCE the results are similar to the findings of (Mushota, 2002) who confirm a low ROCE was a reason why many Zambian banks collapsed. There are a number of reasons why Zanaco has low ROCE, which include, economic factors manly economic prosperity of banks is knotted to equities and debt instruments, and other forms of investments, as such if the economy changes, the investments are too affected over

the past decade Zambia has experienced a deteriorating economic situation coupled with COVID-19 may have affected equities and debt instruments Additionally financial profit is so much linked to a successful economy, which brings in more sales revenue. The ROCE can also be affected because of regulatory and political factors such as government budget cuts which can cause higher borrowing costs for businesses, therefore impacting interest rates. Zanaco may have also been affected by Investment costs such as fees and taxes, which are the major cost of decreased ROCE due to its consistency and its ability to compound over portfolio growth. Tax may have also affected the ROCE of Zanaco the government of Zambia taxes all incomes, and investment this reduces the bank's profit thereby reducing the ROCE. The investment behavior of Zanaco may have also contributed to a low RO. Additionally poor asset allocation may have lowered Zanaco's ROCE, this is so as poor asset allocation distributes investment without considering the risk exposure of each asset similar to a study by (Lotto & Papavasillion, 2019) who found that most banks in Tanzania had a low ROCE because of government statutory, political regulation, taxes bank's failure to utilize their assets effectively poor investment distribution., and more debt than capital

5.6 Zambia National Commercial Bank's ability to convert sales into profit during the period 2016-2021.

5.6.1 Net Profit Margin

The study reveals that Zanaco of the years under review has never have a NPM of over 50%, the findings are consistent with the findings of (Chishiba, 2019). The low profitability of Zanaco in the years under review proves that Zanaco is operating in a competitive non monopolistic business environment in line with the monopoly theory of profits which explains that above-normal profits is attributed to monopolise influence power enjoyed by firms (Makadok, 2011). It is inevitable that firms with monopoly power restrict output and charge higher prices than under perfect competition. As such the weakening NPM can be attributed to an increase in competition in the banking industry, together with other non-banking competitors such as mobile money companies, surprising during the COVID-19 pandemic NPM increased, the plausible explanation is that the work from home measures, reduced the operational expenses of Zanaco such as stationary, travel expenses, and other operational costs, the reduction in such expenses increases profitability consequently increasing NPM ratio.

Therefore, the low NPM suggests that Zanaco has ineffective cost structure and/or poor pricing strategies. Which high expenses/costs and extremely poor pricing strategies of its products or services (Gwahula, 2013). Meaning that Zanaco does not take care well of the following components; Total revenue, which is the amount of money generated from services; additional income these are remunerations from activities not related to fundamental business activities; Operational expenses, those costs which relate to the running and or operations of business; Interest expense on debt which relates to interest that is payable on loans and borrowings like bonds, loans, convertible debt, or credit lines; Investment income, which are dividends that arise from all capital gains in addition to interest payment from investment activities and one-off payments which are charges paid to one off events such as outsourcing of external auditors (Fridson & Alvaraz, 2013). The results also suggest that the bank is not fully in control of controlling its operational and overhead costs. Implying that Zanaco has a growing operating cost than revenue. The calculated NPM ratio brings to question Zanaco's financial stability. Meaning that Zanaco is more unlikely not able to survive when a service line does not meet customer expectations, and when a major business interruption or economic breakdown, hits Zanaco. Controversy now arise on how efficient Zanaco converts its sales into profits, this is so as a lower NPM indicates that Zanaco, is losing a lot of revenue through costs and expenses that are associated with the running of the bank (Almaskati, 2022), additionally

the bank lack effective innovation to bring in more customers which is in conflict with the innovation theory of profit which explains that economic profits arise because of successful innovations introduced by the entrepreneurs, to their business (Makadok, 2011).The main

5.6.2 Cash Ratio

Zanaco has a low cash ratio implying that the bank does not have enough cash and cash equivalents to meet its financial obligations these findings are consistent with the findings of (Chishiba, 2019) but inconsistent with the findings of (Zawadi, 2014). The implication of the findings is that if the bank's cash ratio is less than 1, then the company has more current liabilities than cash and cash equivalents. Meaning that the company has insufficient cash on hand to write off short-term debts (Almaskati, 2022). Initially a low cash ratio of less than 1 signals that Zanaco could be experiencing financial trouble. The low cash ratio signifies that there is a probable impact on the Banks's credibility of the bank, as such the bank has a slow conversation rate of sales to profit.

5.6.3 Operating Cash -flow Margin

The findings have revealed that Zanaco has a low cash ratio meaning that the operating cash ratio for Zanaco for the period 2016-2021 was below consistent with the findings of (Momba, 2019), (Zawadi, 2014) and (Chishiba, 2019). These results imply that Zanaco does not have enough operating cash flow to service short-term obligations. Short term obligations can be defined as those that are due in one year or less. This also shows that Zanaco has favourable borrowing capacity (Albrecht & D, 2010). As such the cash that Zanaco has is not sufficient of paying off their debts, as supported by (Fridson & Alvaraz, 2013) who notes that, a higher the cash ratio means the more capability the company has in paying off its debts. In such situation the bank would face difficulties in paying off instantaneous debts and liabilities. One of the reasons that may have reduced the cash flow ratio is that the bank has old open invoices and high Accounts Payable, and the company is using their cash to pay off expenses and debt, but they are not good with debt collections. It can also mean that the company has a high value of old/unsellable inventory in stock, but the bills are paid off. (Gwahula, 2013), Therefore using their cash, the bank is unable to pay its liabilities using the cash on hand.

5.6.4 Pre-tax Margin

The Pre-tax margin measure a company's profitability bases on the company's operational performance through excluding tax considerations, the findings have revealed that the bank has low pre-tax margin besides in 2019 where the pre-tax was high, meaning that in 2019 Zanaco was able to generating significant pre-tax profits relative to its revenue. Since during COVID-19, there was reduced operational expenses due to work from home measures as such the company had proficient cost management, strong revenue generation, and possibly higher profitability after accounting for taxes the opposite with the consequent years which revealed a low pre-tax margin, consequently affecting profitability, the plausible explanation is that in the years of low tax margin the bank did not employ streamlined operations where there was no identification of in inefficiencies in processes and operations which could have led to cost savings and higher pre-tax margins. Additionally, expenses where not well controlled the company did not Implement cost-cutting measures and poor monitoring expenses which could have enhance pre-tax margin by reducing costs.

5.6.5 Operational expense ratio

Zanaco's calculated operational expense is slightly higher because a lower expense ratio is desired, these findings are similar to the findings of (Chishiba, 2019). One of the reasons for an increased expense ratio are ineffective rental income, because failure to collect rental income or poorly managed property is more evidently to have higher vacancy rates, which will be reflected in the OER, other costs which may have increased OER is property management fees, insurance, utilities, maintenance, property taxes repairs, property management fees, landscaping, attorney fees, landlord's insurance, and basic property insurance, if listed expenses high will cause the operational expense ratio to increase (Wilber, 2019) this means that Zanaco is not efficiently managing the above-mentioned expenses efficiently thus an increase in the OER.

5.6.6 Operating Income ratio.

The findings revel that Zanaco's operating income ratio is above 1 for all the years under review. The high operating income of Zanaco signifies that Zanaco is efficient and has good productivity with huge potential of generating income, these findings are consistent with the findings of (Lotto & Papavasillion, 2019) and (Momba, 2019). Despite the huge operational expenses that Zanaco has its operating income ratio suggest Zanaco is productive because the higher the operating profit with time the more effective the bank's core business is being carried out.

5.7 Primary Data.

The data collected from the questionnaires constituted more males than females, the study was not gender biased, as it tried in all respective ways to have a comprehensive gender mix. The study also constituted a combination of ages of respondents, thus the study constituted of all age groups, so as to gain comprehensive data through experience of all age groups, this therefore gave the data the required validity and diverse responses. Additionally, to gain well expert information the study also encompassed respondents of all Job combinations which included, operational, strategic, and management job levels.

5.8 Internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2016-2021

It was revealed by the findings that Zanaco has been greatly impacted by inflation rate in the period under review, these finding are consistent with the findings of (Almaskati, 2022) who found that most commercial banks in Tanzania are impacted by the changes in inflation rate, this equally supported by (Fridson & Alvaraz, 2013), and (CA, 2009), who agree that Inflation, raises interest rates. A positive impact is that interest rates that are high provide more opportunity (spread) for banks to build in a profit margin. On the other hand, the bank's borrowing costs are adjusted upwards by the central banks which inevitably has the ability to reduce bank profitability, through high interest payments coupled with loss of customers since customers prefer interest rates that are not high, the onus is on Zanaco to keep these two opposing forces in balance. It is unavoidable for commercial banks to keep interest rates low when there is a rise in inflation, this is so because interest rates tend to rise with inflation on the other hand the banks costs of funds what is paid to depositors mostly remain constant, therefore, banks are unable to make profit from interests on lending. In situation where the inflation rate is abrupt then the rate of interest is more likely to be negative thus affecting banks' profitability. However, it is so common for interest rate to rise in times of inflation. In realism, interest rates will lag behind inflation, and mostly income tax on the interest earned by the bank reduces the purchasing power of the bank (Murphy & Walsh, 2022).

It was found by the study that Zanaco's profitability has been largely by Macro Economic factor the findings are in agreement with prior studies by (Jigger & Korolova, 2023) and (Iacobelli, 2017). Who found that the weakened economic conditions, have the capability of implicating the financial system, mostly for banks and the banking industry. Where many bank assets are loans to households and businesses, and such banks are so reliant on the inflow of

repayments on such loans with a view of making profits to their obligations to depositors and creditors. Additionally, macro-level factors, such as, inflation, gross domestic production (GDP), lending interest rate, financial market development, and real exchange rate, are deemed as the most influential external factors. One of the prominent macroeconomic factor in banking system is credit risk which can include increase in inflation, the reduction oil markets, weakening regimes in some countries, corruption charges, and the influence of the global financial turmoil (Jigger & Korolova, 2023) therefore, governments and central banks impact banking because of the different policies that are formulated, one prominent example is the financial crisis of (2008-09) , where bank asset quality depreciated severely and many financial banks in developed and developing countries experienced an enormous increase in non-performing loans (NPLs). A study by (Lotto & Papavasillion, 2019) in Tanzania found that interest rates fall momentarily subsequent to an increase in government spending, who found a negative point estimate of the response of interest rates. On the contrary a study by (Almaskati, 2022) found that macro-economic factors in Bangladesh do not have a significant influence on profitability return on asset and return on equity of banking sectors in India and Bangladesh. On the other hand, macroeconomic models forecast that during normal times (when the economy is not at the zero lower bound), government spending causes nominal interest rates to rise, potentially crowding out investment and lowering future economic output (Jigger & Korolova, 2023). The assumption is easy, the more government spends, the more the demand for resources. Empirically, government spending shock increases the demand for loans from the government by the size of the shock (Murphy & Walsh, 2022).

According to the liquidity risk theory liquidity is the ability to disposing off assets easily for cash (CA, 2009), Commercial banks therefore requires liquid assets to meet daily expenses and depositors' withdrawals. This theory is in line with Zanaco's liquidity as the findings indicate that Zanaco's liquidity has a high impact on profitability, consistent with the findings of (Almaskati, 2022), who found that there is a positive consistent relation between liquidity ratios and profitability, the study found that the liquidity, of the bank highly affects profitability and that there is substantial differences in bank behaviour depending on their liquidity and size, which also affects the Banks's response towards macroeconomic factors, a study by (Jigger & Korolova, 2023) found that, large and small banks with stable liquidity were not equally affected by different macroeconomic conditions; Therefore the stability of Zanaco's liquidity is able to make it thrive even in times of economic turmoil.

It was found during the period 2016-2021, that the balance stability of Zanaco has been minimally impacted, these findings are inconsistent with the findings of (Lotto & Papavasillion, 2019) in Tanzania and (Khizer, et al., 2013) in Pakistan who found that the bank balance stability and bank profitability have a positive relationship with return in assets (ROA) the deposit to asset ratio (DTAR) , loan to deposit ratio (LDR) and debt to equity ratio (DER). This implies that Zanaco's profitability is stable as it maintains stable credit balances.

Similar to the Bank theory suggest that bank size has a positive effect as the earnings of the business permit economies of scale and asset diversification reducing risk, which Zanaco has as revealed by the findings, which is consistent with the findings of (Gržeta, et al., 2023) found that bank capital positively affects profitability, as such there are substantial differences in bank behaviour depending on their size., evidently that Zanaco's bank size has an impact on profitability, because banks size increases, the bank will have more deposits which can be obtained at lower costs, thus increasing profits. Additionally, the size of the bank encourages technological advances, thus improving on efficiency and subsequently profits. Evident with the performance size and credit quality of Zanaco which has been found good, all these are the attribute of bank size.

The study revealed that Zanaco has good loan efficient and management consistent with the findings of (Meriläinen & Junttila, 2020). It is evident that Zanaco has effective management of the loan portfolio, with a credit function which is fundamental to a bank's safety and soundness. Evident enough that Zanaco has a good loan portfolio management (LPM) system which effectively manages and controls risks that are intrinsic in the credit process, this implies that Zanaco has, higher loan demand which leads to scale economies through the expansion of output opportunities. The findings of the present study also reveal that the changes in bank credit ratings have been more favourable for Zanaco because it has a high liquid asset portfolio, which has more generally impacted credit rating.

The good cost management effectiveness of Zanaco signifies that Zanaco has well controlled cost management structures, which are key to increasing profitability, the findings are consistent with the findings of (Jigger & Korolova, 2023) China a developed country, which is significant as bank profitability mainly depends on the efficiency of banks to maintain stable profitability and thus increase profitability. Which has the impact of enhancing earnings of different variables such as, managerial efficiency, liquidity risk, and credit risk which all have an adverse impact on bank profitability.

Undoubtedly asset quality is a critical point in the determination of a bank's condition or financial position of the bank, thus Zanaco has a fair asset quality level, consistent with the findings of (Lotto & Papavasillion, 2019) in Tanzania where the majority of commercial banks have fair asset quality level. This implies that the asset quality of the loan portfolio and credit quality is affected this is so the majority of a bank's assets and carry the greatest amount of risk to their capital. Creating huge bank capital which then acts as self-insurance, providing a buffer against insolvency which gives bank management an incentive to manage risk prudently (Gržeta, et al., 2023). Asset quality then creates sufficient capital, however when capital is too low relative to assets, bank managers have an incentive to take risk. As such the reason is forthright, as Shareholders' downside risk is limited to their initial investment, while their upside opportunity is unlimited. As capital wanes, prospective further losses shrink, where as probable gains do not. Taking into consideration that shareholders face a one-way gamble, mostly they encourage bank managers to wager for revitalization. The problem evaporates when the level of capital rises. As such, they will be wide-open to superior losses and will embolden bank managers to act more far-sightedly (Chishiba, 2019).

Zanaco has a high frequency of loans which it gives out to its clients, the results are consistent with the findings of (Lotto & Papavasillion, 2019) and (Gržeta, et al., 2023), The silver lining is that, Zanaco has an low level of Nonperforming loans, this shows that Zanaco has effective management of the loan portfolio, as such the higher, number of loan disbursement for Zanaco means that it leads to scale economies via expanding output opportunities. This has the capability of effecting massive changes, in effective bank credit ratings, which is more favourable for banks like Zanaco as they will have a liquid asset portfolio (Jigger & Korolova, 2023). Meaning low non-performing loans (NPL) are well handed by Zanaco Normally, non-performing loans are considered bad debts as the chances of recovery are extremely low. Nevertheless, having more non-performing loans in the company's balance impacts the bank's cash flows, EPS and eventually the stock price, as such it has been established in the findings that Zanaco enforces more actions to the recovery of loans which are owed using different tactics consistent with the findings of (Chishiba, 2019) and (Gržeta, et al., 2023). Of the acts well as its stock price. Therefore, banks that have non-performing loans in their books may take action to enforce the recovery of the loans they are owed is taking possession of assets pledged as collateral for loans, additionally Zanaco also foreclose on homes where borrowers fail to honour their mortgage obligations, another probable strategy is Zanaco opting to sell the non-performing loans to collection agencies and outside investors to get rid of the risky assets

from their balance sheet. This is done when banks sell the non-performing loans at significant discounts, and the collection agencies attempt to collect as much of the money owed as possible. Another alternative that the Zanaco engages is tasking collection agency to enforce the recovery of a defaulted loan in exchange for a percentage of the amount recovered (Mushota, 2002).

5.9 Kendall's Correlation Coefficient

Using Kendall's correlation Coefficient, a weak perfect positive correlation in H_1 was tested, which reveals insignificant relationship between stability of budget balances from 2016-2021, and Zanaco's loan efficient management reveals a strong positive correlation between the two variables, implying that bank stability of budget between 2016-2021 is no affected by efficient loan management, in other word the test suggest that Zanaco has a stable loan efficient management system that has contributed to stable bank balances, This suggests that Zanaco has adopted good strategies to loan recovery which includes Automation and Digitization, that bank has of late adopted advanced technology in rationalization loan organization processes, which includes computerizing monotonous tasks such as data entry, document confirmation, and payment dispensation, which has reduced human error whereas cultivating swiftness and precision, which is in line with This theory of profits which elucidates that economic profits arise because of successful innovations introduced by the entrepreneurs, to their business (Makadok, 2011). Therefore, this has contributed to stable bank balances that Zanaco has experienced over the years under review.

However, a strong positive correlation has been identified between the two variables which implies that Zanaco's liquidity and Impact to profitability Performance of Size and Credit quality is affected by Zanaco's liquidity and impact to profitability, this shows that the performance size and credit quality of Zanaco impacts Zanaco's liquidity which is consistent with the findings of (Niu, 2023), who found that bank size is positively connected to liquidness and profit creation. The conceivable explanation is that Zanaco is a well reputable bank, as such has bank has capitalized on its management to increase in size and gain profitability, which is in agreement with the managerial efficiency theory of profits recognizes that some firms are more efficient than others in terms of management of productive operations and successfully meeting the needs of consumers (Makadok, 2011). It can be noted that Zanaco has higher managerial skills and production efficiency which impacts profitability.

A strong positive relationship has been revealed between that macro-economic policy impacts profitability, these results are consistent with the findings of (Almaqtari, et al., 2018), whose

results showed that all macroeconomic determinants were significant and exhibited negative impacts on Indian commercial banks profitability. Which is similar to the uncertainty, bearing theory which contends that external risk factors like risk of government interventions, and cyclical risks that influence firms' profitability. This is so as the government, in course of time, interferes into the affairs of the banking industry through tax policy instruments, money supply instruments, and transactional restrictions, which in the wrong run influences banks' profit generation. This implies that bank size, number of branches, assets management ratio and leverage ratio are highly impacted by macroeconomic factors.

CHAPTER 6

CONCLUSION AND RECOMMENDATION

6.1 Conclusion

The major aim of the study was to review the financial performance of ZANACO from the period of 2016-2021, using both primary and secondary data. The study incorporated the use of ratio analysis of profitability, liquidity and solvency, therefore from the study the following inferences can be drawn.

The liquid ratios showed that during the period of 2016-2021 Zanaco bank was capable of meetings its short-term obligations, notable through the solvency ratios which were above 1, However despite the bank meeting its short-term liabilities, the bank was unable to meet these short-term liabilities using cash since the cash ratios where below 1. Profitability ratios from the period 2016-2021 have shown that the bank was effectively using its assets to generate wealth, similarly the bank was also able to retain profits from the stockholder's investments. However, the inconsistency of profits implies that from 2016 to 2021, the bank was adversely affected by macro-economic factors, business interruption such as that of COVID-19 and also an increased factor of competition in the banking sector notably the increase of mobile banking mobile communication companies attributed to the decline in profitability.

Additionally, the bank was able to meet its long-term financial obligations showing that during the period under review, the bank had more assets than liabilities thus able to meet the long-term obligations and finance its operations more through capital than debt.

It is noted that macro-economic factors have an adverse impact on Zanaco's profitability, one of the most prominent impact is the impact of the COVID-19 pandemic which truly had an adverse impact on bank profitability, however because of the bank size, liquidity and robustness the bank was able to still remain competitive even in turbulent economic environments, coupled with the effectiveness of the bank in transforming non-performing loans (NPL). This has ensured that the bank survives the macroeconomic factors.

6.2 Recommendations

The results have shown a low EPS; therefore, it is recommended that the bank should purchase more of its stock with a view of increasing the bank's EPS ratio.

The bank should also consider having a business realignment, where the bank should exit business lines that have low margins and move strategically to lines that are more cost-effective, such strategies if applied have the capability of increasing its investment and costs in the short term in order to realize improved margins and efficiency in the long term.

Additionally, the banks should have improved goal of channel optimization which is coming up with different ways that the customers can interact with the bank in order so that they can be a creation of cost-effective combination that is adapted to each bank's specific customer base. This implies that considering the rapidly changing nature of customer channel preferences, it is apparent that there is massive closure, consolidation buying and selling of banks so as to adjust the bank's geographic presence. Channel optimization should also include opening up contact centers, online and mobile banking, ATMs, and establishment of relationship managers to enhance customer relationship.

The bank should also enhance a reduced process cost, by improving the bank's efficiency ratio by reducing the unit cost-to-value ratio of each activity or transaction this can comprise the cost of opening an account, creating a loan document package, or handling a specific type of transaction. Therefore, process improvement also involves continual performance monitoring, which comes through result of analysis, mapping, benchmarking, and ultimately rethinking back-office processes. Where reliance on electronic documents, automated routing and processing, and process automation driven by machine learning models can be adopted.

To continue increasing profitability it is equally advised that the bank enhances, quality staff productivity, which can be enhanced through automation tools this will enhance the bank to handle more transactions and greater volumes of activity with the same number of personnel. Additionally, there is apparent need to establish established performance management techniques, which can include expectations and scorecards, improved motivation and rewards systems, and better training and supervision.

Technology is key in any form of business, which are becoming a major profitability tool in the 21st century, the use of technology and automation also merits individual attention as part of the overall efficiency improvement effort. Therefore, Zanaco should beef up technological

use where all processes should be automated such as having applications that enable customers to make transactions or obtain information on a self-service basis without requiring employee efforts; Use of technology to reduce the time employees spend on finding information; and lastly the use of automated business rules and decision models to move work more quickly and efficiently through processes.

Zanaco should also enhance a good vendor relationship to enhance profitability, where there should be focus of deriving the greatest possible value from a vendor relationship. Choosing vendors that meticulously support to the bank's business objectives. Upholding strong vendor performance through service-level agreements and vendor scorecards to monitor performance issues such as system availability, response times, and direct expenditures.

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APPENDICES

UNZA ETHICAL CLEARANCE

THE UNIVERSITY OF ZAMBIA

HUMANITIES AND SOCIALSCIENCES RESEARCH ETHICS COMMITTEE

REF NUMBER: HSSREC 2023 – JAN 023

PROGRAMME (MASTERS/PHD): MASTERS

PROJECT: LOCAL

STUDY TITLE: Assessing Zambia National Commercial Banks profit generating potential: The profitability ratio analysis Approach

PRINCIPAL INVESTIGATOR: Prudence Mumba

OTHER INVESTIGATORS: NIL

SUPERVISOR: Dr Eustone Kapotwe

1. TITLE

The title is clear and has no ethical issues

2. STATEMENT OF PROBLEM

The statement of the problem is clear.

3. PURPOSE OF THE STUDY

The purpose of the study is clear. There are no ethical issues with regard to the purpose of the study.

4. SPECIFIC OBJECTIVES

The specific objects are clear and there are no ethical issues.

5. **RESEARCH QUESTIONS**

The research questions are clear and have no ethical issues. They were a mirror of the research objectives.

6. SIGNIFICANCE OF THE STUDY

This came out clearly and has no ethical issues.

7. LITERATURE REVIEW

Literature review was critically analysed to help establish the gap, in order to help show the value addition of the current study and has no ethical issues.

8. METHODOLOGY

(i) The methodology clear and has no ethical issues.

(ii) Sample and sampling procedure were OK and has no ethical issues

(iii) Data collection procedure: This was well stated and has no ethical issues.

(iv) Data analysis was well stated.

However, the is need to give justification on the choice of research design. There is also need to clearly explain the quantitative method the researcher is going to use as there are many quantitative designs. Just stating quantitative method approach will be used is not enough.

9. RESEARCH INSTRUMENTS

Research instruments were clear and are answering research questions.

10. ETHICAL CONSDERATIONS

The ethical consideration lacks a statement on the benefit of the research to participants

APPENDICES

Two appendices were attached. These were the questionnaire and interview guide

11. VERDICT

Approved subject to:

- including a statement on participants benefit in the research
- Clearly explain the type of quantitative method the candidate is planning to use in analysing the data.

INTRODUCTION LETTER

15th February, 2023

TO WHOM IT MAY CONCERN

RE: INTRODUCTORY LETTER FOR PRUDENCE MUMBA

This letter serves to introduce Prudence Mumba a bonafide student in our Master of Science (MSc) Accounting and Finance programme at the University of Zambia – Graduate School of Business (UNZA-GSB). In partial fulfilment of their Postgraduate studies, the students are required to undertake a Dissertation (Research.

This entails that student collect data from various Institutions in line with the research they • are conducting. This research is purely for academic purposes and the student is ethically bound to treat the provided information with strict confidentiality.

We will appreciate the assistance that you will render Ms Mumba to collect the data and the information from your institution that will assist her to carry out this research. Should you have any queries or would like further information about her, please contact the UNZA-GSB on the above e-mail address or telephone numbers.

Yours Faithfully,

Dr Lubinda Haabazoka

DIRECTOR - GRADUATE SCHOOL OF BUSINESS

cc Assistant Registrar - Graduate School of Business

QUESTIONNAIRE

Questionnaire for Zanaco Employees: Assessing Zambia National Commercial bank's profit generating potential: The profitability ratio analysis approach.

I am a post graduate student at University of Zambia pursuing a Master's of Science in Accounting and finance. I am in the process of data collection which will be used for my dissertation. This study is prepared to **assesses Zambia National Commercial bank's profit generating potential using the profitability ratio analysis approach. The questionnaire is specifically aimed at identifying the internal factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2000-2020.** Your response is important in this study and will be treated in a confidential manner. As such, you are requested to provide genuine responses. Thank you for your time and cooperation

Instructions

- Answer all questions.
- For each question read all answers first and indicate your answer by putting an X on your chosen answer.
- Where you need to fill in, please write legibly.
- Your responses are confidential and no name of company or owner will be published therefore, please kindly give your honest answer

SECTION A: GENERAL INFORMATION (Please fill in with an X in the appropriate box)

1. Indicate your Gender Male ☐ Female ☐
2. Indicate your age

   18-25 ☐ 26-30 ☐ 31-35 ☐ 36-40 ☐ above 41 ☐
3. For how long have you been working for Zanaco

   1-2 years ☐ 3- 5 year ☐ 6-10 Years 10 Years and ☐
4. What is your Job level?

   Operational ☐ Strategic ☐ Management ☐ Senior management ☐

To identify the internal and external factors influencing Zambia National Commercial Bank's ability to generate profit and returns to its shareholders during the period 2000-2020.

5. Have inflation rates from the period 2000-2020 affected Zanaco's profitability?
   Yes ☐ No ☐
6. Has the bank experienced budget balances from the period 2000-2020?

   Yes ☐ No ☐

7. If yes Rate the stability of the budget balances from period 2000-2020.

Very Low	Low	Neutral	High	Very High

8. Have macro-economic policies such as government spending credit lending rates, capitalization percentage and concentration rates have had an impact on Zanaco's profitability?

   Yes ☐ No ☐

9. Has Zanaco's liquidity, asset management quality, and capital adequacy have a significant influence on the bank's profitability
   Yes ☐ No ☐
10. How has Zanaco's size, and credit quality, performed in the recent years?

Very Poor	Poor	Good	Very Good

11. Rate your Zanaco's loan and efficient management

Very Poor	Poor	Good	Very Good

INTERVIEW SCHEDULE

1. Describe Zanaco's size, credit rating, and liquidity.

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2. Comment on Zanaco's cost management effectiveness.

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3. How effective is Zanaco's Asset quality describe in detail.

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4. How is Zanaco's capital volume, and total assets level?

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5. Describe fully the estimated percentage and frequency of Zanaco's number of loans it makes, and the amount of money it lends

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6. What is the percentage rate of Zanaco's Non-performing loans (NPLs) and what strategies has the bank put for loan recoveries?

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7. Comment on the efficiency of Zanaco's management competence and its impact on Zanaco's bank Profitability.

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THANK YOU FOR YOUR RESPONSE