CHAPTER ONE

1.0 Introduction

This chapter concentrates on the main reasons for the study. It starts by giving a general background of the study. It further gives the research problems and also justifies why the study was undertaken. It finally brings out some of the factors that were challenging to the study.

1.1Background of Study

In recent years Ghana has experienced a revolution in its financial institutions. There has been an influx of many financial institutions (banks, insurance, mortgage financing, micro financing and others). Our focus was on the banking industry. The banking industry has experienced tremendous growth in recent years. There has been the introduction of many banks into the Ghanaian banking sector most of which are foreign banks. This made the bank of Ghana increase the capital base (threshold) of the sector.

Due to the influx of these new banks, there has been strict competition in the last two years (2007-2009). Competition in the banking industry gets keener and keener each day. Business and financial times (June 2008) identifies that at the end of 2007, six players in the banking industry controlled sixty percent (60%) to sixty two percent (62%) of the customers in the industry. At the same time, there were six new entries into the sector.

This has moved the competition in that sector into a new level and has led to significant changes in the size structure, and performance of the banking sector. The asset sized base of the whole banking industry increased by 43.7% (to GH¢8085.9 million) as at March 2008 compare to 41.6% in the same period in March 2007. Also the profitability of the sector; the net profit of the sector grew by 35.2% year on year to reach GH¢ 57.7 million and may be compared to the growth of 47.7% in the twelve months to March 2007.

The competition also forced most banks to pursue new products development as a strategic option which has contributed to high customer satisfaction. This influx of banks has also brought the awareness of the domestic banks to 'sit up' lest their going concern could be threatened. Due to this development in that sector, there is the conception that, the sector is performing well. The revolution has effects on the various stakeholders of this sector. Investors (shareholders and prospective shareholders) are concerned as to whether they have to invest in these banks.

Organizations are also interested in the performance of the banks since these organizations deal with the banks directly or indirectly. Most organizations make payments through the banks and also receive monies from their customers through the banks. Customers who save in the banks are interested in the performance of the banks to know whether to continue saving there or to find better alternatives. There is also the need for the various banking institutions to compare their performance with other banks and also previous years.

Financial performance can be related to the profitability of the company, the liquidity or solvency of the company, the gearing, etc. this paper seeks to research into the financial performance of (EGL). Again this research is to verify the notion that EGL is performing well.

1.2 The Research Problem

Prior to 2003, the banking industry was dominated by six main banks namely standard charted bank (SCB) ,Ghana commercial bank (GCB), Agricultural development bank (ADB), Barclays bank, Ecobank Ghana limited (EGL) Social security bank (SSB) . In the year 2000 these banks controlled 85.5% and 85.1% of the total assets and total deposits. As at December 2004 due to the competition they declined to 73.1% and 76.8% respectively.

EGL's asset share declined from 8.4% in 2000 to 7.7% in 2004. Their total deposits fell from 11.1% in the year 2000 to 9.4% in the year 2004. However their total income grows from 6.2% in the year 2000 to 6.8% in the year 2004. EGL's credit ratio also fell from 0.5% in 2000 to 0.34% in 2004 which was below the bank's average of 2.5% in 2000 1.5% in the year 2004 respectively. On profitability, EGL's equity ratio declined from 76.2% in 2000 to 41.8% in 2004 (EGL prospectus, 2006). The above shows declining figures from 2000 to 2004, this has accounted for the research on EGL to appraise their financial performance from January 2006 to December 2009. The research would assess EGL financial performance using the banks average over the period of study as well as their historical performance as the benchmark. The research will based on information of EGL for the period before they were listed on the Ghana stock exchange (GSE) and after they were listed to know their performance before floating shares and after they float shares.

1.3 Objectives of the study

- To examine the profitability of EGL
- To ascertain the solvency and the liquidity of the bank
- To determine the return on the assets and equity (efficiency)
- To determine the level of gearing associated with bank
- To make recommendation to the bank(outlook for the bank)

1.3.1 Research Questions

- Is the business profitable?
- Is the business Solvent?
- What is the return on assets?
- Is the company highly geared?
- Is recommendation applicable to the bank?

1.4 Scope of the study

This study will cover EGL the years of study looks at the financial performance from 2006 to 2009. These years were used due to the fact that EGL floated shares to the public in the year 2006; hence from the year ending 2004 and 2005 represent the performance before they listed on the stock market (public). Also prior to 2006; 2000-2005 competition led to declining trends in some of the financial performance indicators. The year ending 2006 and 2009 also show their performance after they were listed. All these were compared to the banks average as in the year of study. The study will make use of the statement of financial position (balance sheet), income statement (profit and loss account), cash flow statement and notes to the financial statements (accounts) of the various years.

1.5 Methodology

This research drew analysis from the end of year financial statement of EGL and compare with the banks average for the respective years (2006-2009). This analysis was drawn using financial ratios. Procedures used to analyze financial performance are generally broken down to two categories

1: those based upon financial data from two or more fiscal periods or

2: financial data from only the current fiscal period.

The comparative statement analysis that is comparing two financial statements of two different periods was used.

This study compares the financial statement of EGL for the four year period ending 2009 (2006-2009). To make the study more significant and meaningful the research seeks to compare EGL's current performance to their historical performance. The basis for the comparison was the use of the accounting ratios. These ratios are profitability ratio, liquidity ratio, gearing ratio, efficiency ratio and investor's ratio.

1.6 Justification of study

Financial performance measurement in an organization is very important for several reasons and is used by several people. Some of the reasons are to help discover the profitability of a firm. It is not enough to discover whether a profit or loss is being made but measure the adequacy of profit needed. Creditor needs to know whether the organization they are lending can pay back in the stipulated period. Investors also want to know about the earning they will get when investing in the company and how long will it take to recoup the amount invested. The financial performance can be used as a means of measuring the performance of managers. Also with financial performance one can determine the financial health of the organization. The company can also assess itself using financial performance measure.

1.7 Limitation of study

- Difficulty in ascertaining insider information leading to over reliance on public financial statement.

- The complexity of defining the specific components of some of the ratios

- The financial statement cannot be solely relied on as a measure of financial performance.

- Not all of the accounting ratios are applicable to the bank.

The essay was organized into five chapters, namely:

Chapter one deals with the overview of the entire research.

Chapter two also looks at theories, critiques and overviews of financial performance appraisal. What authorities have developed in this area of study?

Chapter three will cover the method of the data to be used, and also gives a profile of EGL.

Chapter four presents the calculated ratios in the table forms and uses graphs and charts to analyze the ratios.

Chapter five summaries, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The literature review begins with the various definitions of key technical terms: financial performance, financial analysis and performance measurement, what scholars have discussed about performance measurement critiques raised against performance measurement, the importance and limitation of performance measurement.

The chapter further explains other related studies made on the subject matter and makes clear which financial statements, factors and indicators mostly used to assess the financial performance.

2.1 Financial Performance Defined

The concise definition of financial performance is very difficult to determine since the discipline is very diverse and can be applied in various areas.

Loth (2008) defines financial performance as a company's ability to generate new resources, from day to day operations, over a given period of time.

The business dictionary states that financial performance is measuring the results of a firm's policies and operations in monetary terms. These results are reflected in the firms return on investment, return on assets, value added etc.

It further explains financial performances as "a subjective measure of how well a firm can use assets from it primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation."

2.2 Financial Analysis

Financial analysis is "the use of financial statements and the calculation of ratios, to monitor and evaluate the financial performance and position of a business. (Oxford dictionary of finance and banking, 2005)

The business dictionary further affirms financial analysis as the assessment of the effectiveness with which funds (investment and debt) are employed in a firm, efficiency and profitability of its operations and value and safety of debtor's claims against the firm's asset. It employs techniques such as funds flow analysis and financial ratios to understand the problems and opportunities inherent in an investment or financial decision.

According to the Credit research foundation (1999), financial statement analysis is a judgmental process. One of the primary objectives is identification of major changes in trends, and relationships and the investigation of the reasons underlying those changes. The judgment process can be improved by experience and the use of analytical tools.

To Casu et al (2006), financial analysis refers to the use of key ratios to measure and analyze performance of a firm. In banking the typical ratios are ROA, ROI etc. They further claim that financial ratio analysis investigates different areas of banks performances such as profitability, asset quality and solvency.

2.3 Performance Measurement

Moullin (2003) defines performances measurement, "As evaluating how well organizations are managed and the value they deliver for customers and other stakeholders". He explained this as assessing the health status of an organization and how best it is controlled by management to maximized stakeholders' wealth

Burylo (2006) explicates performance measurement as a tool universally used to assess how well someone or something has done against set objectives or peers.

Adams, Kennerley and Neely in their book performance prism (2002) also defined performance measurement as "the process of quantifying the efficiency and the effectiveness of past action".

They based their definition on quantifying the efficiency and the effectiveness dimension of decisions of stake holders of an organization in order to assess performance there is the need to know the objectives or goals of the company. According to Humphrey et al (1998) there are five basic goals of a business, they include profitability, stability, liquidity, efficiency and growth.

In their book An Introduction to Business Decision Making they reiterate the above discussed point that in measuring the achievement of these goals there is the need for a financial analysis and projection.

Much of the current bank performance literature describes the objectives of financial organization as that of earning acceptable returns and minimizing the risk taken to earn this return (Coleman etal, 1986).

Fabrizio Bocci of Bocci Consulting argues that “evaluating how well”, means not only measuring but also making a judgement. In order to evaluate performance one need not only to measure, but also to know the context in which that performance has been achieved.

2.2 Other Related Study of Financial Performance Measurement

The stewardship era, was the time where owners of resources, employed people to manage the resource for them. The Matthew Effect led to the introduction of performance measurement, as the managers were assessed based on the performance of the business. In the 1980s, shareholder activism reached unprecedented levels and led to increased pressure on firms to maximize shareholders value consistently. Increasingly, shareholders were now getting interested in how they can maximize their wealth.

Generally, shareholders wealth can be measured based on the financial health of the organization. Time magazine summarized this activism as “Angry investors closed out the Decade of Greed with demands that executive compensation should be tied to company performance” (Smolowe, 1996).

Kenkel (2001), indicate that Board of Directors have the responsibility to evaluate the annual audit and to track the financial successes or failures of the organization. This means the directors need to not only be able to read the financial and see trends, but they also must be able to understand the underlying causes of those trends. The board must be able to compare their organization financials to industry benchmarks, peer performance, and company projections.

According to Stewart (1991), any financial performance measure used in managerial compensation, on the other hand, must be correlated highly with changes in shareholder’s wealth and, on the other hand should not be subject to all of the randomness and “noise” inherent in a firm stock price. This dichotomy is the fundamental tension a good performance measure must resolve. A recent example of a performance measure that seeks to resolve this tension is economic value added (EVA). This measure proposed by Stern Stewart Management Services creatively links the firm's accounting data to its stock market performance.

In using accounting data to measure the financial performance of listed companies, ratios can be used. Business managers are constantly evaluating the performance of their company, comparing it to the company's historical figures, with its industry competitors, and even with successful businesses from other industries.

To complete a thorough examination of a company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits, and total assets. You must be able to read between the lines of your financial statements and make the seemingly inconsequential numbers accessible and comprehensible (Atrill and McLaney and McLaney, 1997)

2.5 Existing Performance Measurement Frameworks

For many years frameworks have been used by organization to define the measure that should be used to assess their financial Performance. From early in the 20th century, DuPont used a pyramid of financial ratios, which linked a wide range of financial ratios to return on investment. The pyramid of financial ratios had an explicit hierarchical structure, linking measure at different organizational levels (Neely, 1998)

Spathis and Doumpos (2002) investigated the effectiveness of Greek banks based on their asset size. They used in their study a multi criteria methodology to classify Greek banks according to the return and operation factors and to show the differences of the bank's profitability and efficiency between small and large banks.

Following their study of performance measurement in service industries, Fitzgerald et al.(1991) proposed a frame works classifying measures into two basic types: those relating to results (competitiveness, financial performance) and those that focus on the determinant of those results (quality, flexibility, resource utilization and innovation)

Chien Ho and Song Zhu, (2004) showed in their study that most previous studies concerning company performance evaluation focus merely on operational efficiency and operational effectiveness which might directly influence the survival of a company. By using an innovative two-stage data envelopment analysis model in their study the empirical result, the empirical result of this study is that a company with better efficiency does not always mean that is has better effectiveness. The most popular of the performance measurement frame works has been the Balanced Scorecard proposed by Kaplan and Norton (1992 and 1996). The balanced scorecard identifies and integrates four different ways of looking at performance (Financial, Customer, Internal Business and Innovation and learning Perspective). The authors identify the need to ensure that financial performance, the driver of it (customer and internal operational performance) and drivers of ongoing improvement and future performance are given equal weighting. The Balanced Scorecard reflects many of the attributes of other measurement frameworks but more explicitly links measurement to the organization strategy. The authors claim that it should be possible to deduce an organization's strategy by reviewing the measures on its balanced scorecard.

According to Duncan et al(2004) in their paper 'efficiency Customer Service and Financing performance among Australian Financial Institutions' showed that, all financial performance measures as :interest margin, return on assets, and capital adequacy are positively correlated with customer service quality's scores.

2.6 Measuring Financial Performance

Numerous processes have been proposed that organization should follow in order to design and implement performance measurement systems (Neely et al 1996). The objective of such frameworks is to help organization to define a set of measures that reflect their objectives and assesses their performance appropriately.

Generally, the financial performance of banks and other financial institutions have been measured using a combination of financial ratio analysis, benchmarking, measuring performance against budget or a mix of these methodologies. (Avkiran, 1995)

Watson and Head (2007) in their book Corporate Finance, Principles and practice establish that ratio analysis should be applied to financial statement in order to assess the financial performance of a company. Analysis of financial performance can provide useful financial information to wide range of user groups

Again in measuring performance, two major devices can be employed that is common sense and ratio analysis. (Jones,1991). He further acknowledged that though the use of ratios was more popular, common sense is the most important.

Casu, etal (2006) suggests that a bank's performance is calculated using ratio analysis and assessed with the aim of looking at past current trends and determine the future estimates of performance.

The most widely used financial analysis technique is ratio analysis; the analysis of relationships between two or more lines items on the financial statement. Financial ratios are usually expressed in percentages or times (credit Research Foundation, 1999)

Financial statement analysis is important to boards, managers, payers, lenders, and others who make judgments about the financial health of organization. One widely accepted method of assessing financial statement is ratio analysis, which uses data from the financial position and income statement to produce values that have easily interpreted financial meaning. (Flex monitoring team, 2005)

Financial performance is analyzed based on statements, factors and indicators. Some of which are vertical analysis, analysis of financial statement components etc Analysis of financial performance of public sector banks on the basis of key parameters has shown wide inter-bank variations (Thakor, 2001)

Cranes (2006) asserts that an understanding of the overall financial situation and enterprise relationships requires three key financial documents: the balance sheet, the income Statement and the cash flow statement.

2.7 Financial Statement

2.7.1Financial Position

A traditional definition by Wood (2002) defines balance sheet as a statement showing the asset, liabilities and capital of a business. The balanced sheet summaries the values of the enterprise owned assets and liabilities.

One question that in preparing a balance sheet is what values should be used. Frequently used valuation methods include: historical, that is, what the asset cost when it was acquired; market what one could sell it for today; replacement; what one would have to pay to acquire a replacement today; and book value; the historical cast minus depreciation. For various reasons, analyst often uses market value whereas accountants generally prepare a balance sheet using the asset's book value. (Crane, 2006)

2.7.2 Income Statement

An income Statement reports the amount of profit the business generates. Usually income statements are prepared on an annual basis. An accrual income statement often provides a better measure of the firm's performance and profitability because it considers changers in inventory rather than only cash transactions. It is for this and other reason why an income tax return should not relied on as measuring the firm's profit.

2.7.3 Cash Flow Statement

A cash flow statement shows how cash has been generated and disposed of by an organization (Woode,2002). A cash flow statement reports the sources and uses of cash resources. Such statements not only show the change in the firm's cash resources throughout the year, but also when the cash was received or spent. An understanding of the timing of cash receipts and expenditures is critical in managing a whole organization. Neither an income tax return nor an income statement provides the same information as a cash flow statement (Crane 2006)

Elliot (2006) argues that ratios are powerful tools for interpreting and understanding company's accounts but if ratios are applied incorrectly, they may be completely useless or even worse misleading. Ratios help you address these vital issues like:

Is your business solvent?

Is your business profitable?

What is your return on assets?

2.8 Importance of Performance Measurement.

It has been widely reported that there has been a revolution in performance measurement in the last 20 years. The enormous interest in measurement has manifested itself in practitioner conferences and publication as well as in academics research (Neely, 1998).

Jean Burylo in his article, the importance of performance discusses how important performance measurement is in any firm. Performance is disciplined processes that not calculates each ratio but also identifies how well that ratio compares to other similar ratios as well as its benchmark.

Performance measurement identifies what help determine the effectiveness of an enterprise. Basically, performance measurement helps identify whether an indicator is effective or not.

Again performance management offers both the clients and management and the detailed analysis needed to identify whether the firm's manager is worth the money he is paid to manage client assets.

According to Singh (2000), financial performance helps provide reliable financial information and economic resources. It provides reliable information about the changes in net resources arising out of various activities. And also provide financial information that assist in estimating the earning potential of the bank.

2.9 Limitation of the Financial Ratio Analysis

The reliability of ratio analysis in the analysis of financial performance naturally depends on the reliability of the accounting information on which it is based. Financial statement have become increasingly complex and it is not easy to determine if creative accounting has been taken place. (Watson and Head, 2007)

According to Casu et al, (2006) precise comparison between similar companies may be difficult as they often compete in different markets have varying product features and customer bases and so on. As such ratio analysis may be misleading as it is often difficult to compare like with like. Despite this problem, financial analyst often undertake peer analysis of similar companies and involves the creation of peer groups.

Accounting ratios only gives past trend but not future trends. Again the impact of inflation is not properly reflected, as many figures are taken at historical numbers, several years old. In addition comparing the ratios with past trend and with competitors may not give a correct picture as the figures may not be easily comparable due to the difference in accounting policies and accounting periods (Greenwalt, 2009)

2.10 Ratio Analysis

Successful businesses constantly evaluate the performance of a company, comparing it with the company's historical figures, with its industry competitors, and even with successful businesses from other industries. To complete the thorough examination of your company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits, and total assets. One must be able to read between the lines of financial statement and make the seemingly inconsequential numbers accessible and comprehensible. This comparison can be done using ratio analysis (Atrill and Mclaney, 1997). According to Loth, (2008) analyzing financial statement information (also known as quantitative analysis), is one of, if not the most important element in the fundamental analysis process .At the same time, the massive amount of numbers in a company's financial statements can be confusing and intimidating to many investors. However through financial ratio analysis, one is able to work with these numbers in an organized fashion. Accounting ration ratios are used to analyses and interpret ate accounting statements (would, 1999).

Kenkel (2001) explains that ratio analysis is perhaps the most common method of financial analysis and it is this method on which most weight is placed.

To Atrill and McLaney (1997), some of the indicators commonly used to assess company fundamentals include: cash flow; return on asset; conservative gearing; history of profit retention for finding future growth; soundness of capital management for the maximizing of shareholders earnings and returns.

Keown et al (2005) also defines financial ratios as being tools that helps businesses to identify some of the financial strengths and weaknesses of the company. In th same view Brigham and Ehrhardt (2002) also emphasizes that financial statement help the various stakeholders of the company to evaluate the financial statement .whilst Mayor (2004) is also of the view that accounting ratios are used to analyze a firm's financial position such as creditors' safety of loans investors ability to analyze how management is performing.

2.10.1 Profitability Ratios

A question one can ask about profitability is that, "is management generating adequate profit on assets sufficient to the asset being invested "(Keown et al 2005).

Closely link with income ratios are profitability ratios, which shed light upon the overall effectiveness of management regarding the returns generated on sales and investments.

Driehuis (2003) also suggest that profitability plays a role in financial analysis, investment in stocks and completion economics. Kenkel (2001) again says that profitability measure do exactly what they say, they measure the profitability of the company for the past year and give indicators of how to further improve local profitability.

Mayor (2004) is of the view that profitability indicates what a firm is earning. Profitability of firms with low capital intensity can be better approached by return on sales (ROS) than by return on capital investment (ROCI) .Profitability ratios: includes local savings margin, local savings to local assets, return on assets and return net worth (Kenkel 2001).

2.10.2 Working Capital Ratios

Many believe increase sales can solve many problems. Often, they are correct. However sales must be built upon some policies concerning other current asset and should be supported by sufficient working capital. There are two types of working capital: Gross Working Capital, which is all current assets, and net working capital, which are current asset less current liabilities. If it is found that working capital is inadequate, it can be corrected by lowering sales or by increasing current assets through either internal savings (retain earnings) or external savings (sale of stock) (Atirll and Mc Laney 1997).

These ratios are particularly valuable in determining a business's ability to meet current liabilities.

2.10.3 Bankruptcy Ratios

Many business owners who have filed for bankruptcy, say they wish they had seen some warning signs earlier on in their company's downward spiral. Ratios can help predict bankruptcy before it's too late for business to take corrective action and for creditors to reduce potential losses .With careful planning, predicted futures can be avoided before they become reality. (Atrill and Mc Laney 1997).

2.10.4 Liquidity Ratios

How liquid is the organization? A firm is said to be solvent when its current assets exceed its current liabilities (Terry et al 1997)

While liquidity ratios are most helpful for short term creditors /suppliers and bankers, they are also important to financial managers who must meet obligations to suppliers of credit and various government agencies. Complete liquidity ratios analysis help on cover weaknesses in the financial position of the business (koewn)

2.10.4.1 Current Ratio

Ehrtardt 2002 defines current ratios as the ability of a company to meet short term obligations. Major (2004) also shares the views that liquidity is the ease at which organization converts it asset to cash with no loss.

"The current ratios is a popular financial ratio used to test a company's liquidity (also refer to as its current or working capital position) by deriving the proportion of current assets available overcome current liabilities. The concept behind this ratio is to ascertain whether a company's short terms assets(Cash, Cash equivalents, marketable securities, receivables and inventory) are readily available to pay off it short term liabilities(notes payable, current portion of term debt, payables, accrued expenses and taxes). In theory, the higher the current ratio, the better. (Loth 2008)

It can be view from point that assets that are relatively liquid in nature are compared to the amount of debts. The focus can also be on liquid asset such as inventories and account receivables converted to cash.

2.10.4.2 Quick Ratio

The quick ratio is also known as quick asset ratio or acid test ratio is a liquidity indicator that further refines the current ratio by measuring the amount of the most liquid current assets. They are to cover current liabilities. The quick ratio is more conservative than the current ratio because it exclude inventory, which are more difficult to turn into cash. Therefore a higher ratio means a more liquid current position (Loth, 2008)

2.10.5 Debt Ratio

Keown et al (2005) gives a simplified definition to debts ratio as how much the firm uses debt to finance it asset.

Loth (2008) explains Two type of liabilities operational and debts. The formal includes the financial position account such as account payable, accrued expenses, taxes payables, pension obligation etc. The later includes note payables and other short term borrowings, current portion of long term borrowings and long term borrowing. Often times in investments literature “debts” is used synonymously with total liabilities. In other instances it only refers to companies’ indebtedness. The debt ratios compare a company’s total debts to it total assets, which is used to gain a general ideas amount of leverages being used by company.

A low percentage mean that the company is less dependent on leverage, that is, money borrowed from and owed to others. The lower the percentage, the less leverage the company is using and the stronger it equity position. In general the higher the ratio the more risks that company is considered to have taken on (Atrill, 1997)

2.10.6 Leverage Ratio

Any ratio used to calculate the financial leverage of a company to get an idea of the company’s methods of financing or to measure its ability to meet financial obligation. There are several different ratios, but the main factors looked at include debt, equity, assets and interest expenses. A ratio used to measure company’s mix of operating costs, giving and idea of how changes in output will affect operating income. Fixed and variable costs are the two types of operating costs: depending on the company and the industry the mix will differ.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter will introduce the study to the steps in gathering data, data used, scope of the study, how data was analyzed, research strategy and finally the profile of the organization and its product.

3.1 Scope of the study

This study covers EGL, from 2006 to 2009. These years were chosen due to the fact that, EGL was listed on the Ghana Stock Exchange in the year 2006, thus the study tries to compare the financial performance of EGL after they have been listed on the Ghana Stock Exchange. The financial years ending 2006 to 2009 represents the financial performance after they were listed.

The study will make use of the statement of financial position, income statement, cash flow statements and notes to the accounts of EGL for the various years under review.

3.2 Data collection and research design

The archival strategy was used, thus research was based on administrative records and documents. These documents can simply be summed up as the past financial statement of EGL. The strategy employed helps the researcher to focus on what transpired after they were listed on the Ghana Stock Exchange and their performance thereafter.

The data used in the research is secondary data. Financial performance was measured using financial ratios.

Financial ratios were used to obtain the necessary information to draw the analysis.

3.2.1 CATEGORIES OF RATIOS USED WERE

1. Profitability ratio

- Return on capital employed
- Net profit margin
- Net asset turnover
- Gross profit margin

2. Activity ratio

- Fixed asset turnover
- Sales to total current assets

3. Liquidity ratio

- Current ratio
- Operating cash flow

4. Gearing Ratio

- Capital gearing ratio
- Debt to equity ratio
- Debt to total asset

5. Investors Ratio

- Dividend per share
- Earnings per share

- Dividend cover
- Dividend yield

3.3 Data Analysis

The analysis was made based on the output of the financial ratios. This research will draw analysis from the end of the year financial statement of EGL and compared with the Bank's average for the respective years (2006-2009)

Procedures used to analyzed financial performance are generally broken down into two categories.

1. Those based upon financial data for two or more fiscal periods

Here data from two or more financial years was imputed and calculated using the accounting ratios and after they are compared to know where they perform were in the previous year as were as where they improved. This is known as comparative analysis.

1. Financial data from only the current fiscal period

In this way the financial analysis was done by comparing the output of the ratios with the Bank's averages. This enables us to know how EGL is performing in the financial sector as a whole.

This study compares the financial statement of EGL for the four year period ending 2009. To make the study more significant and meaningful the research seeks to compare EGL current performance to their historical performance. The basis for the comparison was the use of accounting ratios.

Graphs and charts were also used to show trends in the ratios for the four year period.

3.4.0 Profile of Ecobank Ghana

3.4.1 Introduction

EGL was incorporated on 9th January, 1989 as a private limited liability company under the companies' code to engage in banking business.EGL was initially licensed to operate as a Merchant Bank by the Bank of Ghana on November 10th, 1989 and commence on February 19th, 1990. However, following the introduction of universal banking by the Bank of Ghana in 2003, EGL, true to it form as pacesetters became the first Bank to be granted the universal Banking license from the Bank of Ghana.

The bank is a subsidiary of EGL transnational incorporated (ETI), A Banking holding company which currently has 20 subsidiaries across middle Africa. The ETI Group is thus in more countries in Africa than any other Bank, making it the leading regional Banking group in middle Africa.

EGL has grown consistently over the years to become one of the leading Banks in Ghana and a well recognized brand in the Ghanaian Banking industry. Following its acquisition of a universal Banking license in 2003, EGL was embarked on a strategic move from a predominantly wholesale Bank to Retail Bank.

3.4.2 The Banks Philosophy

EGL believes that its success depends for the most part on its ability to maintain a pool of diverse, resourceful and dynamic work force to serve its customers. The Bank as a policy seeks to source, attract, develop and retain the best talents globally. Accordingly EGL continuously strives to

- Recruit, develop and retain a highly motivated work force natured by an enabling environment

- Provide an environment that identifies, encourages, reward excellence, innovation and quality customer service.
- Provide the climate and resources that enable staff to advance on merit as far as their talents and competence will take them, without regard to gender, race, religion, color, age, national origin, marital status, physical challenges and disability status
- Offer compensation and benefits that are fair, competitive ad linked to performance.
- Maintain avenues for open communication to facilitate creativity and synergy in developing solution to work place challenges.
- Promote work life balances initiatives aimed at helping our employees maintain a healthy balance between their work pressures and family/domestic responsibilities.
- Promote diversity and involvement/inclusion in all our pursuits
- Develop a broad and deep pool of talents and professional with the skills, experience and mindset to operate across different markets and cultures within and beyond the continent of Africa.

3.4.3 The Banks Vision and Mission

EGL's mission is to become a strategic part of a world class Africa banking group. The bank's vision is to provide its customers convenient, accessible and reliable banking products and services.

In line with it EBG seeks to create a unique African institution characterize by a determined focus on customers, employees, shareholders and an absolute commitment to excellence in the financial service industry. The bank seeks to pursue this mission and approve its values by applying the following principles to its business decision and conduct:

- Treat each customer as a preferred customer.
- Invest in training and development of its staff.
- Deliver products and services quality which exceeds customer expectation.
- Develop market and product in which it can reach and maintain competitive.
- Deliver appropriate returns to its shareholders.
- Maintain high standard of ethics and compliance.

3.4.4 Retail Banking

The retail bank focuses on developing the micro, small and medium scaled enterprises high net worth individuals, salaried workers, religious organizations, educational institutions, health institutions as well as clubs and associations across all the bank's branches.

- In line with EGL's strategic focus to offer the full gamut of retail banking products and services, the retail bank has been transformed into four distinct unit:
- Retail assets sales and services delivery
- Retail liability sales and service delivery
- Branches, kiosks and strategic alliances
- Marketing

3.4.4.1 Retail Assets Sales and Service

This unit manages the credit products offered to different segments within the retail bank. These products includes, SME financing, mortgage, auto financing, credit cards, customer finance and micro finance.

3.4.4.2 Retail liabilities sales and services delivery

The unit champions the deposits mobilization drive of the retail bank by offering competitively attractive liability products to its clientele. These include Current Accounts, savings accounts, fixed deposit and western union transfer services. The unit has embarked on an aggressive deposit mobilization by working with and through the branches relationship of offices and the direct sales agents.

3.4.4.3 Branches, Kiosks and Strategic Alliances

In the pursuit of enhancing accessibility on the market, this specialize unit establishes and coordinates the activities of the banks distribution network that is branches, kiosks, strategic alliance with key institutions as delivery channels. The unit plays a key role in identifying strategic location for the Bank's branch expansion drive.

3.4.4 Marketing

This unit drives the marketing at the sales of the banks product and services, working through the relationship officers and the direct sales agents. Its functions include product, development and enhancement to meet the needs of customers. The unit also undertakes advertising and marketing campaigns to promote the products and services.

3.4.5 Wholesale Banking

EGl is a key player in the wholesale banking business in Ghana, having established itself as a leading provider of first class financial services in corporate banking. The strategic focus of the segment is to continue to deliver value added solutions to its clients by leveraging on superior technology and unique understanding of their business needs. The wholesale banking segment is classified under distinct unit to enhance the focus approach to corporate banking: local corporate, public sector, regional corporate and or multinationals. Accordingly despite pursuing a strategic shift into retail banking, EGL continue to deepen its presence in the corporate banking segment.

3.4.6. Transaction Bank

The transaction bank is a business segment focused on creating business solutions that are accessible through all delivery channels (branches, ATM's, Internet, mobile and telephone banking etc). The segment is subdivided into five units namely:

- Cash management sales and services and Trade sales and services
- Card sales and service
- E banking Sales and service
- Electronic channels and field support
- Customer service quality

3.4.6.1 Cash Management sales and services and Trade sales and services

Cash management sales and service unit has mandate to 'follow the cash' that is, leverage on technological platforms to intervene in any activities that involves payments and collections. The Trade sales and services unit is in charge of facilitating or marketing trade solutions (including international, regional, and intercity, intracity) SWIFT, rapid transfer etc to boost fees and commissions

3.4.6.2 Card sales and Service

Card sales and services unit is in charge of developing, marketing ensuring full utilization of all card products.

3.4.6.3 E-Banking Sales and Services

E banking sales and services handles the marketing of the E banking products and drives utilizations as well. E.g. of E banking products include E-collect, Internet banking etc.

3.4.6.4. Electronic Channels and field Support

Electronic Channels and field Support unit is in charge of developing ATM's and point of sales terminals to various sites and outlets. In addition the unit monitors uptime of all electronic channels to ensure that they are reliable and available at all times.

3.4.6.5 Customer Service Quality

The Customer Service Quality unit handles both external and internal customers and ensures that customers are served with speed and accuracy as well addressing all customer related concern. The unit also oversees customer service training and monitors staff compliances on customer service guidelines/ Service level agreement.

3.4.7 Products and Services

The most popular products are shown below.

1. EGL CURRENT ACCOUNT
2. EGL SAVINGS ACCOUNT
3. EGL CARD
4. EGL DEPOSIT ACCOUNT
5. FOREIGN EXCHANGE
6. WESTERN UNION

7. BANKERS DRAFT

3.4.8 Twenty Largest Shareholders

SHAREHOLDERS	% OF SHARES
ECOBANK TRANSNATIONAL INCORPORATED (ETI)	87.47
GHANA REINSURANCE COMPANY LIMITED	1.69
EDC STOCK BROKERS LTD TRADING AC	1.45
SOCIAL SECURITY AND NATIONAL INSURANCE TRUST (SSNIT)	0.90
ANGLOGOLD ASHANTI EMPLOYERS PROVIDENT FUND	0.74
TEARCHERS FUND	0.65
BUCKNOR, JUDE KOFI	0.60
BARCLAYS MAURITIUS	0.2
ECOBANK GHANA LTD STAFF SAVINGS PLAN	0.18
GALTERE INTERNATIONAL FUND	0.17
DR .NII NARKU QUAYNOR	0.13
GHANA COMMERCIAL BANK LTD	0.10
UNILEVER GHANA MAIN PENSION FUND	0.10
DR. AKA JEAN NONELSON	0.09
SIC LIFE	0.09
HYDROCARBON AFRICA G LTD	0.08

UNILEVER GHANA LTD	0.06
DONEWELL LIFE CO LTD	0.06
SIC GENERAL	0.06
MR EDWARD KWAME OTU GYANDOH	0.05
OTERS	5.11
TOTAL	100

CHAPTER FOUR

RESEARCH INVESTIGTION AND ANALYSIS

4.0 Introduction

This chapter concentrates on data collected from the published financial statement; this includes the income statement and the financial position of EGL. The findings and analysis performed with regards to the following:

1. Comparing the financial performance of EGL from 2006-2009 based on trends identified in case section of their financial statements.

2. Financial analysis- ratios and graphical analysis of EGL relevant to various users of financial statements.

Below is a summary of income statement as well as the financial position of the Bank. The table bellows below show the historical performance of EGL from 2006-2009.

INCOME STATEMENT FOR THE YEAR ENDED 2006

	GH¢000
NET INTEREST INCOME	456874
COMMISSION AND FEES	174962
	631836
INTEREST EXPENSE	-139628
TOTAL OPERATING EXPENSES	-251602

OTHER EXPENSES	-617
NATIONAL RECONSTRUCTION LEVY	-12894
PROFIT BEFORE TAX	227095
TAXATION	-61793
PROFIT AFTER TAX	**165302**

FINANCIAL POSITION FOR THE YEAR ENDED 2006

SHAREHOLDERS FUND	
STATED CAPITAL	164006
CAPITAL SURPLUS	13533
INCOME SURPLUS AND RESERVE	247270
TOTAL	**424809**
CURRENT ASSETS	
CASH AND BAL WITH BOG	463576
GOVERNMENT SECURITIES AND DUE OTHER BANKS	1859804
LOANS AND ADVANCES	1622454
OTHER ASSET ACCOUNT	176622
INVESTMET IN OTHER SECURITIES	89057
TOTAL CURRENT ASSET	**4211513**

CURRENT LIABILITIES	
DEPOSITE AND DUE TO OTHER BANKS	3380787
INTEREST PAYABLE AND OTHER LIABILITIES	335156
TAXATION	10603
TOTAL CURRENT LIABILITIES	**3726546**
WORKING CAPITAL	**484967**
LONG TERM DEBT	155646
	329321
FIXED ASSET	107099
DEFERRED TAX	-11611
TOTAL	95488
NET ASSET	**424809**

INCOME STATEMENT 2007	**GH¢000**
INTEREST INCOME	51779
INTERST EXPENSES	-16058
NET INTEREST INCOME	35721
FEES AND COMMISSION	17013
FEES AND COMMISSION EXPENSES	-501

LEASE INCOME	2878
NET TRADING INCOME	6907
DIVIDEND INCOME	328
OTHER OPERATING INCOME	1567
TOTAL INCOME	63913
IMPAIREMENT LOSSES ON LOAN	-591
OPERATING EXPENSES	-33143
PROFIT BEFORE TAX	30179
TAXATION EXPENSES	-7830
NET PROFIT FOR THE YEAR	22349

FINANACIAL POSITION FOR THE YEAR ENDED 2007	**GH¢000**
CASH AND BALANCE WITH THE BANK OF GHANA	48273
GOVERNMENT SECURITIES	86468
LOANS AND ADVANCES TO BANK	177580
TRADING ASSETS	8234
DERIVATIVE FINANCIAL INSTRUMENT	3
LOANS AND ADVANCES TO CUSTOMERS	288694
INVESTMENT SECURITIES AVAILABLE FOR SALE	5804

PROPERTY AND EQUIPMENT	16932
DEFERED TAX INCOME	970
OTHER ASSETS	35791
TOTAL ASSETS	668749
LIABILITIES	
DEPOSITES FROM BANKS	59801
CUSTOMER DEPOSITS	437951
OTHER LIABILITIES	45946
CURRENT INCOME TAX	1764
DEFERRED INCOME TAX	2960
LONG TERM BORROWING	55661
TOTAL LIABILITIES	604083
EQUITY	
SHARE CAPITAL	16400
INCOME SURPLUS	23496
OTHER RESERVES	1602
STATUTORY RESERVES	18747
REGULATORY CREDIT RISK	4421
TOTAL EQUITY	64666

TOTAL LIABILITIES AND EQUITY	**668749**

INCOME STATEMENT 2008	**GH¢000**
INTEREST INCOME	72754
INTERST EXPENSES	(26605)
NET INTEREST INCOME	46149
FEES AND COMMISSION	20878
FEES AND COMMISSION EXPENSES	(1107)
NET FEES AND COMMISSION	19771
LEASE INCOME	4310
NET TRADING INCOME	35309
DIVIDEND INCOME	613
OTHER OPERATING INCOME	1037
TOTAL INCOME	107189
IMPAIREMENT CHARGES ON LOAN	(5793)
OPERATING EXPENSES	(57505)
PROFIT BEFORE INTEREST	43891

INCOME TAX EXPENSES	(10312)
NATIONAL STABILIZATION LEVY	--
NET PROFIT FOR THE YEAR	**33579**

FINANCIAL POSITION FOR THE YEAR ENDED 2008

LIABILITIES

DEPOSITE AND DUE TO OTHER BANKS	14261
CUSTOMER DEPOSITE	682705
OTHER LIABILITIES	71868
CURRENT INCOME TAX	557
DEFERED INCOME TAX	2227
LIABILITIES AND BORROWING	61782
TOTAL LIABILITIES	**834957**

SHAREHOLDERS FUND

STATED CAPITAL	16400
CAPITAL SURPLUS	41619
INCOME SURPLUS	41619
REVALUATION RESERVES	1595
STATUTORY RESERVE	22965

REGULATORY CREDIT RISK RESERVE	2781
CAPITAL AND EQUITY ATTRIBUTABLE	85360
NON CONTROLLING INTEREST	(622)
TOTAL EQUITY	**84738**
TOTAL LIABILITIES AND EQUITY	**919695**
ASSETS	
CASH AND BAL WITH BOG	69797
GOVERNMENT SECURITIES AND DUE OTHER BANKS	89679
LOANS AND ADVANCES TO BANK	232609
TRADING ASSETS	5092
LOANS AND ADVANCES TO CUSTOMERS	401531
INVESTMENT SECURITIES	35182
INTANGIBLE ASSETS	2190
PROPERTY AND EQUIPMENT	24381
DEFERED INCOME TAX ASSET	918
OTHER ASSET	58316
TOTAL ASSETS	**919695**

INCOME STATEMENT 2009	GH¢ 000
INTEREST INCOME	131379
INTERST EXPENSES	(48922)
NET INTEREST INCOME	82457
FEES AND COMMISSION	44204
FEES AND COMMISSION EXPENSES	-2052
NET FEES AND COMMISSION	42152
LEASE INCOME	5066
NET TRADING INCOME	28148
DIVIDEND INCOME	448
OTHER OPERATING INCOME	1617
TOTAL INCOME	159888
IMPAIREMENT CHARGES ON LOAN	9518
OPERATING EXPENSES	77681
PROFIT BEFORE INTEREST	72689

INCOME TAX EXPENSES	17195
NATIONAL STABILIZATION LEVY	1641
NET PROFIT FOR THE YEAR	**53853**
FINANCIAL POSITION FOR THE YEAR ENDED 2009	**GH¢ 000**
LIABILITIES	
DEPOSITE AND DUE TO OTHER BANKS	90127
CUSTOMER DEPOSITE	922077
OTHER LIABILITIES	84703
CURRENT INCOME TAX	1147
DEFERED INCOME TAX	3784
LIABILITIES AND BORROWING	82499
TOTAL LIABILITIES	1182780
SHAREHOLDERS FUND	
STATED CAPITAL	100000
INCOME SURPLUS	59041
REVALUATION RESERVES	15491
STATUTORY RESERVE	29654

REGULATORY CREDIT RISK RESERVE	2716
CAPITAL AND EQUITY ATTRIBUTABLE	206902
NON CONTROLLING INTEREST	-1489
TOTAL EQUITY	**205413**
TOTAL LIABILITIES AND EQUITY	**1388893**
ASSETS	
CASH AND BAL WITH BOG	104162
GOVERNMENT SECURITIES AND DUE OTHER BANKS	268534
LOANS AND ADVANCES TO BANK	442806
TRADING ASSETS	2540
LOANS AND ADVANCES TO CUSTOMERS	456159
INVESTMENT SECURITIES	24363
INTANGIBLE ASSETS	3630
PROPERTY AND EQUIPMENT	44015
DEFERED INCOME TAX ASSET	1319
OTHER ASSETS	40665
TOTAL ASSETS	**138819**

EGL has since its operation rendered impressive financial performance in absolute terms. In 2006 the reporting year of operation, the institution recorded an interest income is GH¢ 456874 which increased to GH¢ 517790 in 2007 indicating a growth of 13.3%. Again, in 2008 interest income increased to GH¢ 727540 also indicating an annual growth of 40.5%. Also, in 2009 interest income geometrically increased to GH¢ 1313790 representing a percentage growth of 80.6%. EGL has experience a tremendous growth of 134.4% in interest income from 2006-2009.

Similarly, EGL's commissions and fees figure appreciated steadily over the years. It was as much as GH¢ 174962 at the end of 2006 financial year; however in 2007 there was a slightly marginal fall in the commission, thus 170130 representing a percentage decrease of 2.8%.In 2008 commission fee further increased to GH¢ 208780 indicating a percentage increase of 22.8%.However 2009 there was tremendous increased to GH¢ 442040 representing a percentage growth of 111.7%.

Consider the interest expense as well as expenses in relation to commissions and fees, 2006 the reported amount was GH¢ 139628. This amount increased to GH¢165590 at the end of 2007 indicating a percentage increase of 18.6% .The year 2006 the interest expenses increased to GH¢ 266050 representing a percentage increase of 65.7%. These expenses also increase to GH¢ 489220 by the end of 2009 indicating a percentage increase of 83.8%.

From the aforementioned paragraphs it can be indicated that the net spread; that is the net interest income, commission and fees have been increasing consistently over the year representing a sign of positive viability of the company over the years. This can be further interpreted as positive trends of profits from the company's core undertakings.

The institution net profit also improves from GH¢ 165302 to a net profit of GH¢ 223490 at the end of the financial year 2007 resenting a percentage increase of 35.02%. In 2008, the net profit increased again to GH¢ 335790, also 50.2% increase over the previous year. The net profit increase again to GH¢ 538530 at the end of the final year 2009 indicating 60.3%. The above figures represent a consistent annual increase in net profit over the respective years. (2006-2009)

Shareholders fund improves from GH¢ 424809 in 2006 as a result of floating of shares. In 2007, the shareholders fund decreased to GH¢646660 indicating a percentage increase of 52.2%. In 2008 the shareholders fund increase to GH¢ 847380 indicating a percentage increase of 31.0%. However in 2009 the shareholders fund increase to GH¢ 2054130 representing a percentage growth of 142.4%.Thses increase in the value of shareholders fund was due largely to the consistent increase in profit over the respective years.(2006-2009).However in 2006 shareholders fund increase as a result of floating of shares.

Total deposits of GH¢ 3380787 were recorded in 2006 which increased to GH¢4977520 by the end of 2007. This show an increase of 47.2%. In 2008 total deposits increased to GH¢ 696966 representing 40.0%.Total deposits at the end of 2009 was 1012204 representing a percentage increase of 45.2%. The annual growth of deposit from 2006-2009 showed an average growth of 44.1%.

Investments in other securities amounted to GH¢ 89057 by the end of 2006. However, this figure decreased to GH¢ 58040 and this represent a percentage fall of 34.8%. In 2008 the investment in other securities amounted to GH¢ 35182 representing a percentage decrease of 39.4%. In 2009 the investment in other securities also fell to GH¢ 24363 representing a percentage fall of 30.8%

Considering the positive increase in net income, net profit, shareholder fund, investment, it can be inferred that the prospects in relation to profit can be assumed over the short term.

The total assets of the Bank also saw an increasing trend over the years, in 2006 the total assets of the company was worth GH¢ 4318612.The total asset of the company by the end of 2007 amounted to GH¢ 6687490 which show an increase of 54.9%.In 2008 the total asset increase to GH¢9196950 representing 37.5%. The total assets of the company by the end of 2009 financial year amounted GH¢ 13881930 representing 50.9%.

Also the total liability as at 2006 amounting to GH¢ 3882192 and 2007 amounting to GH¢ 6040830 respectively. This shows a percentage increase of 55.6%. In 2008 the total liability amounted to GH¢ 8349570 representing 38.2%.However the total liabilities increase to GH¢ 11827800 representing 41.7%

Also the total liabilities as at 2006 amounting to GH¢ 3882192 this represent almost 90% of the total asset in that year. In 2007 the liabilities amounting to GH¢ 6040830 which represent almost 90% of 2007.The total liabilities for 2008 and 2009 were GH¢ 8349570 and GH¢ 11827800 respectively. These also represent 91% and 85% each of the total assets. Averagely, over the years of discussion the bank assets liabilities by over 11%.

4.1 FINANCIAL ANALYSIS

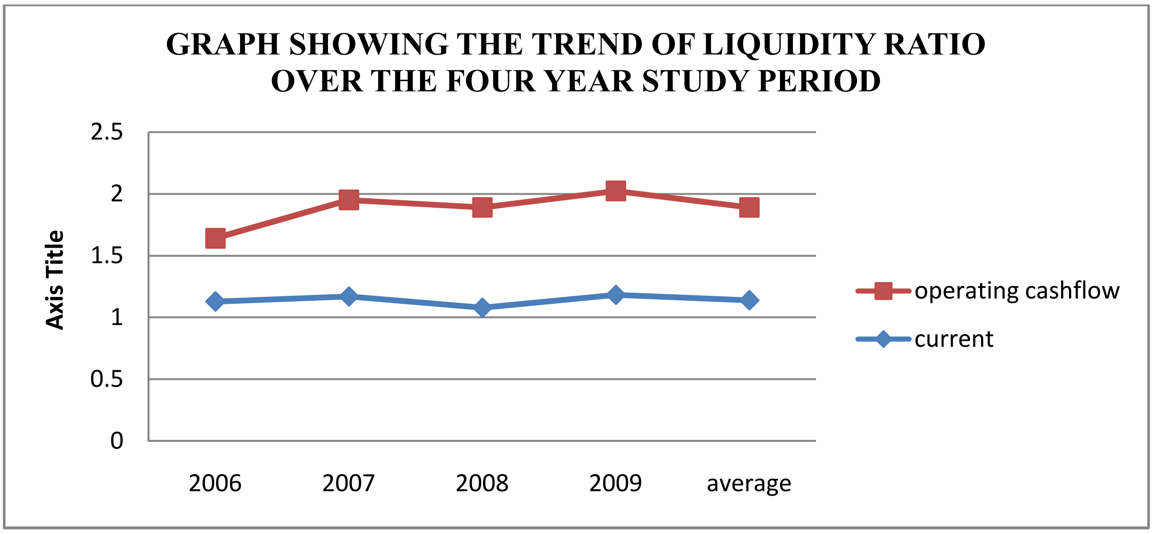
4.1.1 LIQUIDITY RATIO

Table 1: Table showing the trend of liquidity over the four year study period.

Liquidity	2006	2007	2008	2009	Average
Current Ratio	1.13	1.17	1.08	1.183	1.140

Operating Cash flow	0.51	0.78	0.87	0.84	0.75

Figure 1: Figure showing the trend of liquidity over the four year study period



These ratio measures the ability of the company to meet its short term cash obligations. Thus a company is assumed to able to meet its short term cash obligation if it has current asset that are sufficient to sustain the existing level of current liabilities. The liquidity graph show two type of ratios related to liquidity, which are the current ratio and the operation cash flow .From the graph above the movement of the current evident. The first two years under study (2006-2007) increase and then falls in 2008 and 2009. From the current ratio, the current asset covers the current liability by 1.13:1. This means that everyone current liability is covered by current asset by 0.13 excess.

In 2007 the current ratio, the current asset covers the current liabilities by 1.17:1, this means that everyone liability is cover by 0.17 excess. In 2008 and 2009 the current ratio increased to 1.08 and 1.183 in 2009 as how current asset covers the current liabilities. But the bank average stood at 1.14. This is 1.14:1 meaning that they will be able to meet their current liabilities in the short run and will have current asset in excess of 0.14. This is for the reason that current ratio is more than 1.

The interpretation of the current ratio is summarized in the table below:

TABLE 2: Interpretation of Current Ratio

	CURRENT RATIO	<1	GOING BANKRUPT
1<	CURRENT RATIO	<1.5	MAY FACE DIFFICULTIES
2<	CURRENT RATIO	<2.5	NORMAL

The operating cash flow is usually used to gauge the company's liquidity in the short term. This measures how well the current liabilities are covered by available cash flow generated in the business, without seeking resources from other sources of funding. EGL's ability to cover its current liability in the short term during the year under review is discussed below. From the graph in the year 2006 it was 0.51 and rose to 0.78 in 2008. The ability to meet short term cash obligation again increase to 0.87 and decrease to 0.84 in 2009. However the average of the Bank was 0.75.

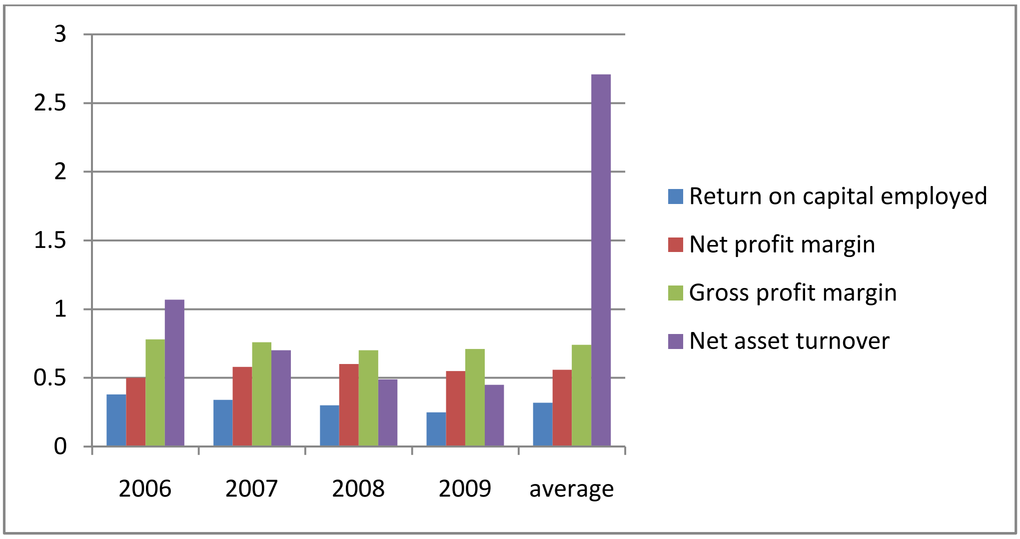
4.1.2 PROFITABILITY RATIOS

TABLE 3: TABLE SHOWING THE TREND OF PROFITABILITY OVER THE FOUR YEAR STUDY PERIOD

PROFITABILITY	2006	2007	2008	2009	AVERAGE
RETURN ON CAPITAL	38%	34%	30%	25%	32%

NET PROFIT MARGIN	50%	58%	60%	55%	56%
NET ASSET TURNOVER	1.07	0.7	0.489	0.450	2.709
GROSS PROFIT MARGIN	78%	76%	70%	71%	74%

Figure 2: Table showing the trend of profitability over the four year study period



The profitability ratio allows a more specific analysis of the profit margin rather than the absolute figures of the profit and turn over. The ROCE can be said to be the measure of how management are efficiently using the assets under management control. This ratio is often known as the primary ratio. From the above graph it is eminent that the return on capital employed was 38% for 2006 and 34% in 2007 and then began to drop to 30% and 25% in 2008 and 2009.

The ROCE is driven by net profit and capital employed. The profit was increasing but the capital employed was increasing at a faster rate than the net profit. This led to the decrease of the ROCE in the subsequent years. This can also be as a result of the revaluation of assets yearly

This increases the carrying amount of the assets. A practical example of this assertion is the constant geometric increase in the value of their assets at the end of each financial year. However, one will not be wrong to assign the reduction in the return on capital employed but a corresponding increase in profit from 2006 to 2009 to the reason of over investment in assets.

The gross profit margin also experienced a decline level from 78% in 2006 to 76% in 2007 and a further decrease to 70% in 2008. The woes deepened to 71% in 2009. Although the company is increasing in their income, the gross profit margin reduces because, the expenses that are directly related to the generation of the income is also increasing. Also a change in the service efficiency is also another factor. Thus with expenses increasing at a higher rate than profit then it can be inferred that the bank’s operations has not been effective as compared to previous years. Example, from 2006 to 2007 interest income and commissions increased by 13.3% with a corresponding increase in expenses for the same period of 40.5%. Again from 2008 to 2009, income increased by 80.6% whiles expenses increased by 65.7%. Although the gross profit margin was decreasing.

Despite the decline in gross profit from 2006, the net profit margin improved from 50% in 2006 to 58% in 2007. Furthermore, it increased to 60% in 2008 and 55% in 2009. The four year average of the net profit margin is 56%. The net profit margin kept on increasing due to the receipt of income from other sources like lease income and dividend income. Also a reduction in other operating expenses forms the basis for the increase in net profit over the years.

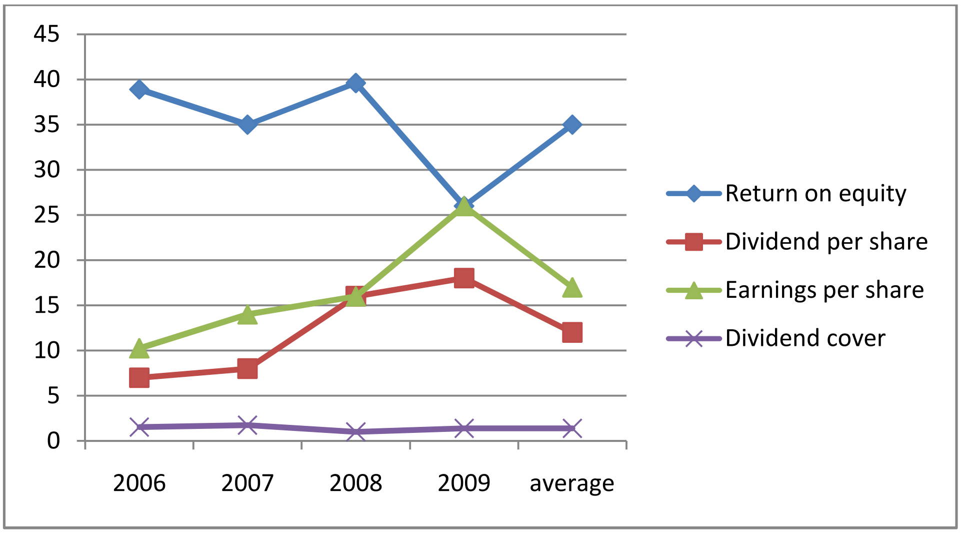
The net assets turnover also decreased from the first year to the second year, but started dropping in the subsequent years.

4.13 Investors Ratio

TABLE4: Table showing the trend of investor ratio over the four year study period

	2006	2007	2008	2009	Average
Return on Equity	38.9 %	35%	39.6%	26%	35%
Dividend per share	7	8	16	18	12
Earnings per share	10.25	14	16	26	17
Dividend Cover	1.52	1.75	1	1.4	1.4

FIGURE 3: figure showing the trend of investor's ratio over the four year study period



This will primarily be used by investors and analysts in order to decide whether they should buy or sell the shares of a particular company. Ratio in this category includes return on equity, dividend per share and dividend cover.

Return on Equity: This ratio measures how well management is doing for the investor because it tells how much earning they are getting for each of the investor's invested wealth. From the graph, the rate of return decrease from 2006/2007. However, after being listed in 2006, the return on equity fell by 5% and appreciated again at the end of 2008 by almost 5%. Over the years the average return on equity was 35%.

Dividend per share: this is the dividend that shareholders receive from holding the shares of the company. This increases every year for EGL shareholders as we see from the graph. From 2006- 2007 the percentage increase dividend per share was 14%. Though there was an increase in dividend at the end of 2008, the percentage change as compared to the previous year was 50%. The situation was different in 2009 as the percentage change in dividends increase to 12.5%. it can be inferred that after the company started trading on the GSE, the percentage increase in dividend per share is on an increasing path. Since it has been established that a net profit over the years is on ascending path, it implies that the company reinvest most of its profit.

The most popular means of measuring the company performance is earning per share. In 2006, the earning per share was ten Ghana cedis. The company earning per share increased in the second year of review (2007) to fourteen Ghana cedis. This however change as it showed an increase in 2008 to GH¢16 and further rise to GH¢26 by the end of 2009. It is a mistake to compare profitability based on earning per share. A difference in earning per share can be brought about simply by differences in share capital structure.

Dividend Cover: This shows the number of times the dividend can be covered by profit attributable to the ordinary shareholders of EGL. In 2006 the dividend cover was 1.52 times. This makes the position of the company better. That is to say the bank retain a lot of its profits which indicates a high level of security, in the sense that if profit in future years. Substantially, the company would still be able to pay the current level of dividend. In 2007 and 2008 it decrease from 1.75 to 1 respectively, this was to make the banks shares attractive to prospective investors. The bank increased the dividend cover to 1.4 in 2008 because if two little profit is retained then although dividends are high in the short term, the future of the bank was threatened. However after 2007 the dividend cover becomes less than the average. This meant the company's position was better in 2007; it went down for 2 years (2008/2009)

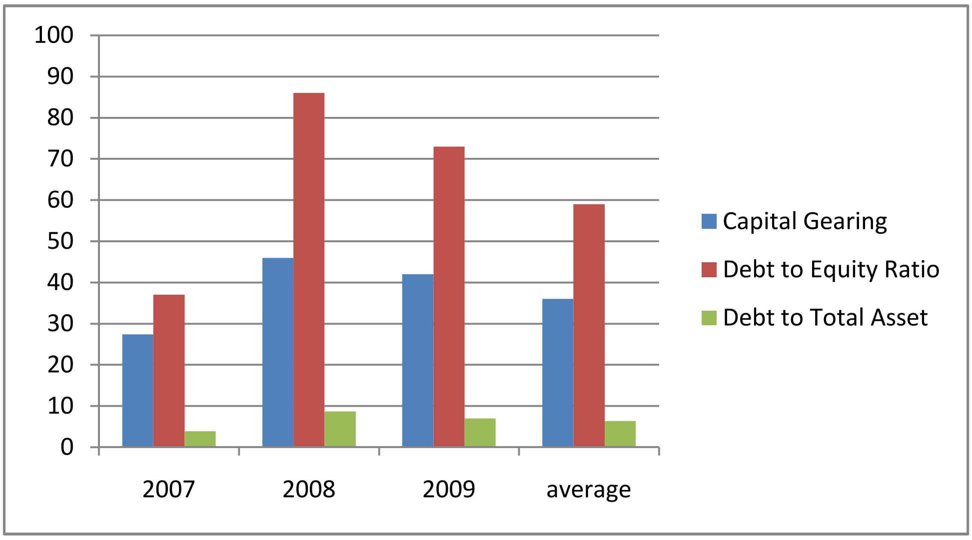
4.1.1 Gearing Ratio

TABLE 5: Table showing the trend of gearing over the four year study period

	2006	2007	2008	2009	AVERAGE
DEBT TO EQUITY	37%	86%	73%	40%	59%

CAPITAL GEARING	27%	46%	42%	29%	36%
DEBT TO TOTALASSET	3.9%	8.7%	7%	6%	6.4%

FIGURE 4: Figure showing the trend of gearing over the four year study period



Raising finance from the external sources increases risk because, in the case of loans, there is cost obligation to repay the loan and in the case of equity shares being issued to new shareholders reduce the degree of control existing shareholders have over the company. The relationship debt and equity is referred to as gearing. Management should ensure that the balance between equity finance is appropriate.

From the information gathered the banks funding from outside keeps on increasing was only in 2008 that it fell from 86% to 73%. In 2006 the debt to equity ratio of 37% implies GH¢ 1 of shareholders investment in the company, outside borrowing provides GH¢ 0.37. The company has GH¢ 0.40 of debt for every GH¢ 1 of equity. Thus the company is most highly geared in 2007. The average gearing rate for the period was 59%. During highly geared period like in small movement in profit can have a dramatic influence on earnings? A small drop would in debt service all the profit that would otherwise be available to distributable as dividends. Debt to total assets measured the percentage of total assets funded by debts as against equity. Ratio of the bank over the years has been low. Thus 3.9%, 8.7%, 7%, 6% respectively in 2006-2009. The debt ratio of 8.7% in 2007 is the highest for the period whiles the average total asset of the bank is 6.4%. This average indicates that for every GH¢ 1 of assets, GH¢ 0.64 being finance by the long term or short term debt. The bank has a lower percentage of debt so bigger safety cushion should times turn bad.

Table 6: Table showing the trend of activity ratio over the four year study period

Activity (Efficiency)	2006	2007	2008	2009	Average
Fixed asset turn over	5.9	4.0	3.8	3.9	4.4
Net asset turn over	1.5	1.1	1.1	0.8	1.12

The efficiency shows the output of services provided by the company and the input of the management of the company is charged with the responsibility making maximum using available resources. The ratios in this category showed how efficiently the bank has managed it asset turnover for instance shows how the company is utilizing is assets in relation to its reserve.

EGL had a low asset turn in 2006 of 5.9, but steadily decreases in 2007 to 4.0 and 3.8 in 2008 and 3.9 in 2009 respectively. In 2008 there was a steep decline to 3.8 which was lower than the bank average as the table shown. This means that in 2008 there were many unutilized assets, some of the assets are overvalued or in the management skills. In all assets were efficiently utilized as the four year average is 4.4.

Fixed asset turnover is how the fixed asset were utilized in connection with revenue generated. The fixed asset turnover decreases 1.5 in 2006 to 1.1 in 2007. This further remains constant to 1.1 in 2008 and deepened to 0.8 in 2009. Fixed asset turnover of 2006 was above the four year average. In 2009 the fixed asset fell below the average.

CHAPTER FIVE

SUMMARY FINDINGS AND RECOMMENDATION

5.0 Introductions

This chapter concludes the study. The chapter gives a summary on the findings and analysis made on the data gathered. It makes recommendation on how the bank can further improve on its financial performance.

5.1 Summary of finding

The most important financial statement analysis dimension which EGL's data provided for the analysis have been profitability, liquidity, leverage activity and investors ratio. Liquidity ratios measures the firm's ability to meet current obligation, and are, calculated by establishing relations between borrowed capital and equity capital. Activity ratios reflect the firm's efficiency in utilizing its assets in generating sales, and are calculated by establishing relationships between sales and asserts. Profitability ratios measure the overall performance of the firm in generating profit, and are calculated by establishing relationships between profit figures on the one hand and sales and assert on the other. The summary of the most important findings and recommendations is discussed below.

One of the prime objectives of this research was to examine how profitable EGL, has been over the four year period ending December 2009.From the data and analysis made, the overall profitability of the Bank has been favorable.

Despite the facts gathered that indicators likes gross profit margin, and return on capital employed was on a declining trend, the net profit margin which measure the profit after all activities kept on rising from year to year. It is astute to note that the expenses directly related to the turnover increased at a higher percentage rate from year to year as compared to the percentage increase in sale. On the other side, the other related expenses increases over the years but at a lower percentage rate.

Also the profitability of the bank was assessed by considering the shareholders fund. A vivid examination of the shareholders fund reveals a consistent increase over the years of assessment. The increase over the years is partly due to retained profits which accounts for the increase in the fund.

It is form deposits that the bank makes profits. A close examination of the financial statement revealed that the deposits of the bank were rising from year to year [2006-2009]. This further affirms the bank's ability to generate substantial amounts of profits from year to year.

Finally, the bank's investment figures on the balance sheet from year to year showed up and down trends over the year of assessment. The upward trend is a positive sign of profitability of the firm. This is to say that the bank's ability to invests and receive returns from these investments confirm EGL profitable nature.

Considering the competitive nature of the banking sector in recent times together with the increase in the deposit of the banks with the bank of Ghana, it can be concluded from the persistent increase in net Profit, net income, deposit, shareholders fund, and investment over the years of study; that the bank has been able to generate enough profit to be declared as a profitable venture.

Another aim of the research was to find out the level of funding from external sources. This was summarized in the fourth objective of this research as "to determine the level of gearing associated with the bank"

The first indicator of funding from external source was the debt to equity ratio. This ratio revealed that the funding from external sources had an upward and downward trend. This is to say that while it increased over some years, it fell over other years. The most important factor was the percentage change which was marginal over the years except over the years. The reported debt to equity ratio which was less than 50% for the first and last years of study can be said to be a good sign of less funding from outsiders.

However the relationship between external finance and internal finance was high in 2007 and 2008 indicating a high level of gearing for that year. It can be inferred from the average over the period that the debt to equity ratio was unfavorable. The debt to total assets again comes to confirm the favorability of EGL gearing. The calculated ratios show that on the on the average 6.4% of assets were financed by debt over the period of discussion.

Too much debt and a company is said to be highly geared while a low geared company is mainly financed by financed by its shareholders. From the above paragraphs which is drawn from the analysis made, it can be inferred that EGL is mainly financed by its shareholders hence a low gearing status.

The activity based ratio which consist of the fixed asset turnover and the net asset turnover we also assessed. The net asset turnover was maintained at a low with an average of 1.12. This ratio was low because EGL doesn't use more of its assets in service delivery. The net asset turnover also decreased from 2006 to 2009; in 2009 it dropped to 0.8 because after it was listed in 2006, its current asset rose and that caused the net asset turnover to decrease to 0.8. The liquidity ratio for the years is at the normal level. This is eminent in the financial statements over the years as the banks current assets could cover their liabilities over the respective years of study. The bank has been able to maintain a normal level of the liquidity due to the year to year permanent expansion of the business. Management also arranged additional finance; thus the issuance of equity in 2006 to finance the increasing working capital. This in effect strengthened the liquid of the bank from 2006 and even further improved it in 2007.

Shareholders (both existing and prospective) can use the investment ratio to assess the wealth creating ability of EBGs. It recognizes that the effects of earning to the investors are significant. The investor's ratio continues to rise. This shows that the return on shareholders' fund has increased since the four year period. The risk associated with investing in EGL in minimal. This is eminent in their proposed as well as paid dividends. Also it reflects in the increase in the share price which increases to GH2.00 in 2007. The investment is also secured as profit is able to cover the current year's dividends. These can be attributed to factors such as High after tax profits that are attributed to ordinary shareholders.

With inferences from the aforementioned paragraph it can be concluded that over the years of study (2006-2009) the returns on investment keeps on increasing hence the wealth of investors are being maximized.

5.2 Recommendation

EGL has shown a good performance as the study shows. Yet there is still room for improvement as the Ghanaian banking sector continues to grow each day, the competition between the banks gets keener each day. Also investors are always seeking to invest in business that is performing well year by year. In view of this, these recommendations are made to help them improve in the performance;

1. The bank should embark on a vigorous and continuous education of individuals and household and small and medium enterprises to develop the habit of saving because it is one o the best alternatives which could help push Ghana above poverty line. The education should be intense to help raise the deposits of the bank. Since the deposit move hand in hand with profitability, the bank will make more profit.

2. To attract more customers, the bank should introduce new products such as internet banking as well as telephone banking to it customer.

3. When embarking on any developmental project, the bank should first consider raising fund from internal source. However it is very astute for the bank to use a combination of both internal and external resources of financing.

4. The bank should make maximum utilization of it asset base by increasing It operation or dispose obsolete assets.

5. The bank should consider investing in short term to generate more income in the short run. For instance in 2007 the bank had too much cash in circulation and this could be allocation to other short term m investment.

6. The interest expense and expense on the fees and commission are controllable cost. This cost can be controlled to increase the gross profit. Management can cut down on these expenses by using cost reduction strategies such as rationalization through value analysis.

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ASSESSING THE FINANCIAL PERFORMANCE OF A COMPANY

A CASE STUDY OF ECOBANK GHANA LIMITED

FROM THE YEAR 2006-2009

BOATENG KWABENA

ADDAI EDWARD

BOATENG AKUOKU ISAAC

ANTWI DARKWAH EBENEZER

AMANKWAH TAWIAH OSEI

A DISSERTATION SUBMITTED TO THE DEPARTMENT OF BUSINESS STUDIES, CHRISTIAN SERVICE UNIVERSITY COLLEGE IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION

JUNE, 2012

Dr. Ben Agyei-Mensah

STATEMENT OF AUTHENTICITY

We hereby declare that this project is solely of our own original research and that apart from quotations that have been acknowledged, no part of it has been presented in this institution or else where.

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Head of Business Department	Signature	Date

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If a man has not discovered something that he will die for then he is not fit to live this earth.

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Finally, we also thank all the non-lecturing staff for their support.

DEDICATION

We whole heartedly dedicate this study to our parents for their care, resources, time and all the stress they had to endure through our education.

ABSTRACT

The need to assess the financial performance of any company cannot be overemphasized as this assessment is of great benefit to the diverse range of stakeholders in every company. The study focused on the financial performance of Ecobank Ghana Limited for the four (4) year period ending December, 2009.

The research was conducted from the use of secondary data that is the summarized financial statements of the bank for the various respective years. Analysis were made from the results of financial ratios calculated from the financial statements in pursuance of the research objectives, the financial performance was going to be assessed by a number of accounting ratios. Based on the findings the financial performance was stellar.

Profitability was robust with consistent increase over the years. With a bank which is in a growth stage and expected to reap the benefits of expansion in the medium term, a consistent growth in profitability underscores the bank's commitment to enhance shareholder value. Other indicators were the level of gearing, liquidity, efficiency and investors ratios.

The study shows EGBL's financial performance for the past four (4) years comparing the years before and the period after to evaluate the financial performance.

TABLE OF CONTENT

CHAPTER ONE

1.0 Introduction

This chapter concentrates on the main reasons for the study. It starts by giving a general background of the study. It further gives the research problems and also justifies why the study was undertaken. It finally brings out some of the factors that were challenging to the study.

1.1 Background of Study

In recent years Ghana has experienced a revolution in its financial institutions. There has been an influx of many financial institutions (banks, insurance, mortgage financing, micro financing and others). Our focus was on the banking industry. The banking industry has experienced tremendous growth in recent years. There has been the introduction of many banks into the Ghanaian banking sector most of which are foreign banks. This made the bank of Ghana increase the capital base (threshold) of the sector.

Due to the influx of these new banks, there has been strict competition in the last two years (2007-2009). Competition in the banking industry gets keener and keener each day. Business and financial times (June 2008) identifies that at the end of 2007, six players in the banking industry controlled sixty percent (60%) to sixty two percent (62%) of the customers in the industry. At the same time, there were six new entries into the sector.

This has moved the competition in that sector into a new level and has led to significant changes in the size structure, and performance of the banking sector. The asset sized base of the whole banking industry increased by 43.7% (to GH ₵ 8085.9 million) as at March 2008 compare to 41.6% in the same period in March 2007. Also the profitability of the sector; the net profit of the sector grew by 35.2% year on year to reach GH₵ 57.7 million and may be compared to the growth of 47.7% in the twelve months to March 2007.

The competition also forced most banks to pursue new products development as a strategic option which has contributed to high customer satisfaction. This influx of banks has also brought the awareness of the domestic banks to 'sit up' lest their going concern could be threatened. Due to this development in that sector, there is the conception that, the sector is performing well. The revolution has effects on the various stakeholders of this sector. Investors (shareholders and prospective shareholders) are concerned as to whether they have to invest in these banks.

Organizations are also interested in the performance of the banks since these organizations deal with the banks directly or indirectly. Most organizations make payments through the banks and also receive monies from their customers through the banks. Customers who save in the banks are interested in the performance of the banks to know whether to continue saving there or to find better alternatives. There is also the need for the various banking institutions to compare their performance with other banks and also previous years.

Financial performance can be related to the profitability of the company, the liquidity or solvency of the company, the gearing, etc. this paper seeks to research into the financial performance of (EGL). Again this research is to verify the notion that EGL is performing well.

1.2 The Research Problem

Prior to 2003, the banking industry was dominated by six main banks namely standard charted bank (SCB) ,Ghana commercial bank (GCB), Agricultural development bank (ADB), Barclays bank , Ecobank Ghana limited (EGL) Social security bank (SSB) . In the year 2000 these banks controlled 85.5% and 85.1% of the total assets and total deposits. As at December 2004 due to the competition they declined to 73.1% and 76.8% respectively.

EGL's asset share declined from 8.4% in 2000 to 7.7% in 2004. Their total deposits fell from 11.1% in the year 2000 to 9.4% in the year 2004. However their total income grows from 6.2% in the year 2000 to 6.8% in the year 2004. EGL's credit ratio also fell from 0.5% in 2000 to 0.34% in 2004 which was below the bank's average of 2.5% in 2000 1.5% in the year 2004 respectively. On profitability, EGL's equity ratio declined from 76.2% in 2000 to 41.8% in 2004 (EGL prospectus, 2006). The above shows declining figures from 2000 to 2004, this has accounted for the research on EGL to appraise their financial performance from January 2006 to December 2009. The research would assess EGL financial performance using the banks average over the period of study as well as their historical performance as the benchmark. The research will based on information of EGL for the period before they were listed on the Ghana stock exchange (GSE) an d after they were listed to know their performance before floating shares and after they float shares.

1.3 Objectives of the study

- To examine the profitability of EGL
- To ascertain the solvency and the liquidity of the bank
- To determine the return on the assets and equity (efficiency)
- To determine the level of gearing associated with bank
- To make recommendation to the bank(outlook for the bank)

1.4 Scope of the study

This study will cover EGL the years of study looks at the financial performance from 2006 to 2010. These years were used due to the fact that EGL floated shares to the public in the year 2006; hence from the year ending 2004 and 2005 represent the performance before they listed on the stock market (public). Also prior to 2006; 2000-2005 competition led to declining trends in some of the financial performance indicators. The year ending 2006 and 2007 also show their performance after they were listed. All these were compared to the banks average as in the year of study. The study will make use of the statement of financial position (balance sheet), income statement (profit and loss account), cash flow statement and notes to the financial statements (accounts) of the various years.

1.5 Methodology

This research drew analysis from the end of year financial statement of EGL and compare with the banks average for the respective years (2006-2009). This analysis was drawn using financial ratios. Procedures used to analyze financial performance are generally broken down to two categories

1: those based upon financial data from two or more physical period or

2: financial data from only the current physical period.

The comparative statement analysis that is comparing two financial statements of two different periods was used.

This study compares the financial statement of EGL for the four year period ending 2009 (2006-2009). To make the study more significant and meaningful the research seeks to compare EGL's current performance to their historical performance. The basis for the comparison was the use of the accounting ratios. These ratios are profitability ratio, liquidity ratio, gearing ratio, efficiency ratio and investor's ratio.

1.6 Justification of study

Financial performance measurement in an organization is very important for several reasons and is used by several people. Some of the reasons are to help discover the profitability of a firm. It is not enough to discover whether a profit or loss being made but measure. Creditor needs to know whether the organization they are lending can pay back in the specific period. Investors also want to know about the earning they will get when investing in the company and how long will it take to recoup the amount invested. The financial performance can be used as a means of measuring the performance of managers. Also with financial performance one can determine the financial health of the organization. The company can also assess itself using financial performance measure.

1.7 **Limitation of study**

- Difficulty in ascertaining insider information leading to over reliance on public financial statement.
- The complexity of defining the specific components of some of the ratios
- The financial statement cannot be solely relied on as a measure of financial performance.
- Not all of the accounting ratios are applicable to the bank.

1ay was organized into five chapters, namely:

Chapter one deals with the overview of the entire research.

Chapter two also looks at theories, critiques and overviews of financial performance appraisal. What authorities have developed in the area of study?

Chapter three will cover the method of the data to be used, and also gives a profile of EGL.

Chapter four presents the calculated ratios in the table forms and uses graphs and charts to analyze the ratios.

Chapter five summaries, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The literature review begins with the various definitions of key technical terms: financial performance, financial analysis and performance measurement, what scholars have discussed about performance measurement critiques raise against performance measurement, the importance and limitation of performance measurement.

The chapter further explains other related studies made on the subject matter and makes clear which financial statement, factor and indicator mostly used to access the financial performance.

2.1Finanacial Performance Defined

The concise definition of financial performance is very difficult to determine since the discipline is very diverse and can be applied in various areas.

LOTH(2008) defines financial performance as a company's ability to generate new resources, from day to day operation, over a given period of time.

The business dictionary states that financial performance is measuring the results of a firm's polies and operation in monetary terms. These results are reflected on the firms return on investment, return on assets, value added etc.

It further explains financial performances as "a subjective measure of how well a firm can use assets from it primary mode of business and generate revenues. This term is also used as a general measure of a firms overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation."

2.2 Financial Analysis

Financial analysis is the use of financial statements and the calculation of ratios, to monitor and evaluate the financial performance and position of a business. (Oxford dictionary of finance and banking, 2005)

The business dictionary further affirms financial analysis as the assessment of the effectiveness with which funds (investment and debit) are employed in a firm, efficiency and profitability of its operations and value and safety of debtor's claims against the firm's asset. It employs techniques such as funds flow analysis and financial ratios to understand the problems and opportunities inherent in an investment or financial decision.

According to the Credit research foundation 1999, financial analysis is a judgmental process. One of the primary objectives is identification of major changes in trend and relationships and the investigation of the reasons underline those changes. The judgmental process can be improved by experience and the use of analytical tools.

To Casu et al (2006), financial analysis refers to the use of key ratios to measure and analyses financial performance of a firm. In banking the typical ratios are ROA, ROI etc. They further claim that financial ratio analysis investigate different areas of banks performances such as profitability, asset quality and solvency.

2.3 Performance Measurement

Moullin (2003) defines performances measurement, "as how well organizations are managed and the value they deliver for customers and other stakeholders". He explained this as assessing the health status of an organization and how best it is controlled by management to maximized stakeholders' wealth

BURYLO (2006) explicates performance measurement as a tool universally used to assess how well someone or something has done against set objectives or peers.

Adams, Kennerley and Neely in their book performance prism (2002) also defined performance measurement as "the process of quantifying the efficiency and the effectiveness of past action".

They based the definition of quantifying the efficiency and the effectiveness dimension of decisions of stake holders of an organization in order to assess performance there is the need to know the objectives or goals of the company. According to Humphrey et al (1998) there are five basic goals of a business, they include profitability, stability, liquidity, efficiency and growth.

In their book an Introduction to Business Decision Making they reiterate the above discussed point that in measuring the achievement of these goals there is the need for a financial analysis and projection.

Much of the current bank performance literature describes the objectives of financial organization as that of earning acceptable return and minimizing the risk taken to earn this return (Coleman etal, 1986).

FabrizioBocci of Bocci Consulting argues that "evaluating how well", means not only measuring but also making a judgement. In order to evaluate performance one need not only to measure, but also to know the context in which that performance has been achieved.

2.2 Other Related Study of Financial Performance Measurement

The stewardship era, was the time where owners of resources, employed people to manage the resource for them. The Matthew Effect led to the introduction of performance management, as the managers were assessed based on the performance of the business. In the 1980s' shareholders activism reached unprecedented levels and led to increased pressure on firms to maximize shareholders value consistently. Increasingly, shareholders were now getting interested in how they can maximize their wealth.

Generally, shareholders wealth can be measured based on the financial health of the organization. Time magazine summarized this activism as "Angry investors closed out the Decade of Greed with demands that executive compensation should be tied to company's performance" (Smolowe, 1996).

Kenkel (2001), indicate that Board of Directors has the responsibility to evaluate the annual audit and to track the financial successes or failures of the organization. This means the Directors need to not only be able to read the financial and see trends, but they also must be able to understand the underlying causes of those trends. The Board must be able to compare their organization financials to industry benchmarks, peer performance and company projections.

According to Stewart (1991), any financial performance measure used in managerial compensation, on the other hand, must be correlated highly with changes in shareholders wealth and, on the other hand should be subject to all of the randomness and 'noise' inherent in a firm stock price. This dichotomy is the fundamental tension a good performance measure must result. A recent example of a performance measure that seeks to resolve this tension is economic value added (EVA). This measure proposed by Stern Stewart Management Services creatively links the firm's accounting data to its stock management performance.

In using accounting data to measure the financial performance of listed companies, ratios can be used. Business managers are constantly evaluating the performance of their company, comparing it to the company's historical figures with its industry competitors and even with successful businesses from other industries.

To complete a thorough examination of a company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits and total assets. You must be able to read between the lines of your financial statements and make the seemingly inconsequential numbers accessible and comprehensible (Atrill and McLane, and McLane, 1997)

2.5 Existing performance measurement Frameworks

For many years frameworks have been used by organization to define the measure that should be used to assess their financial Performance. From early in the 20th century, DuPont used a pyramid of financial ratios, which linked a wide range of financial ratios to return on investment. The pyramid of financial ratios had an explicit hierarchical structure, linking measure at different organizational levels (Neely, 1998)

Spathis and Doumpos (2002) investigated the effectiveness of Greek banks based on their asset size. They used in their study a multi criteria methodology to classify Greek banks according to the return and operation factors and to show the differences of the bank's profitability and efficiency between small and large banks.

Following their study of performance measurement in service industries, Fitzgerald et al.(1991) proposed a frame works classifying measures into two basic types: those relating to result (competitiveness, financial performance) and those that focus on the determinant of those results (quality, flexibility, resource utilization and innovation)

Chien Ho and Song Zhu, (2004) showed in their study that most previous studies concerning company performance evaluation focus merely on operational effectiveness which might directly influence the survival of a company. By using an innovative two-stage data envelopment analysis model in their study result, the empirical result of this study is that a company with better efficiency does not always mean that is has better effectiveness. The most popular of the performance measurement frame works has been the Balanced Scorecard proposed by Kaplan and Norton (1992 and 1996). The balanced scorecard identifies and integrates four different ways of looking at performance (Financial, Customer, Internal Business and Innovation and learning Perspective). The authors identify the need to ensure that financial performance, the driver of it (customer and internal operational performance) and drivers of ongoing improvement and future performance are given equal weighting. The Balanced Scorecard reflects many of the attributes of other measurement frameworks but more explicitly links measurement to the organization strategy by reviewing the measures on its balanced scorecard.

According to Duncan et al(2004) in their paper 'efficiency Customer Service and Financing performance among Australian Financial Institutions' showed that, all financial performance measures as :interest margin, return on assets, and capital adequacy are positively correlated with customer service quality s

2.6 Measuring financial performance

Numerous processes have been proposed that organization should follow in order to design and implement performance measurement systems (Neely et al 1996). The objective of such frameworks is to help organization to define a set of measures that their objectives and assesses their performance appropriately.

Generally, the financial performance of banks and other financial institutions have been measured using a combination of financial ratio analysis, benchmarking, measuring performance against budget or a mix of these methodologies. (Avkiran, 1995)

Watson and Head (2007) in their book Corporate Finance, Principles and practice establish that ratio analysis should be applied to financial statement in order to assess the financial performance of a company. Analysis of financial performance can provide useful financial information to wide range of user groups

Again in measuring performance, two major devices can be employed that is common sense and ratio analysis. (Jones, 1991). He further acknowledged that through the use of ratios analysis and assessed with the aim of looking at past and current trends and determining the future estimates of performance.

The most widely used financial analysis technique is ratio analysis; the analysis of relationships between two or more lines items on the financial statement. Financial ratios are usually expressed in percentages or times (credit Research Foundation, 1999)

Financial statement analysis is important to boards, managers, payers, lenders, and others who make judgment about the financial health of organization. One widely accepted method of assessing financial statement is ratio analysis, which uses data from the balances sheet and income statement to produce values that have easily interpreted financial meaning. (Flex monitoring team, 2005)

Financial performance is analyzed based on statements, factors and indicators. Some of which are vertical analysis, analysis of financial statement components etc Analysis of financial performance of public sector banks on the basis of key parameters has shown wide inter-bank variations (Thakor, 2001)

Cranes (2006) asserts that an understanding of the overall financial situation and enterprise relationships requires three key financial documents: the balance sheet, the income Statement and the cash flow statement.

2.7 Financial Statement

2.7.1 Balanced Sheet

A traditional definition by wood (2002) defines balance sheet as a statement showing the asset, liabilities and capital of a business. The balanced sheet summaries the values of the enterprise owned assets and liabilities.

One question that in preparing a balance sheet is what values should be used. Frequently used valuation methods include: historical, that is, what the asset cost when it was acquired; market what one could sell it for today; replacement; what one would have to pay to acquire a replacement today; and book value; the historical cast minus depreciation. For various reasons, analyst often uses market value whereas accountants generally prepare a balance sheet using the asset's book value. (Crane, 2006)

2.7.2 Income Statement

An income Statement reports the amount of profit the business generates. Usually income statements are prepared on an annual basis. An accrual income statement often provides a better measure of the firm's performance and profitability because it considers changers in inventory rather than only cash transactions. It is for this and other reason why an income tax return should not relied on as measuring the firm's profit.

2.7.3 Cash Flow Statement

A cash flow statement shows how cash has been generated and disposed of by an organization (Woode, 2002). A cash flow statement reports the sources and uses of cash resources. Such statements not only show the change in the firm's cash resources throughout the year, but also when the cash was received or spent. An understanding of the timing of cash receipts and expenditures is critical in managing a whole organization. Neither an income tax return nor an income statement provides the same information as a cash flow statement (Crane 2006)

Elliot (2006) argues that ratios are powerful tools for interpreting and understanding company's accounts but if ratios are applied incorrectly, they may be completely useless or even worse misleading. Ratios help you address these vital issues like:

Is your business solvent?

Is your business profitable?

What is your return on assets?

2.8 Importance of performance Measurement.

lt has been widely reported that there has been a revolution in performance measurement in the last 20 years. The enormous interest in measurement has manifested itself in practitioner conferences and publication as well as in academics research (Neely, 1998).

Jean Burylo in his article, the importance of performance discusses how important performance measurement is in any firm. Performance is disciplined processes that not calculate each ratio but identifies how well that ratio compares to other similar ratios as well as its benchmark.

Performance measurement identifies what help determine the effectiveness of an enterprise. Basically, performance measurement helps identify whether an indicator is effective or not.

Again performance management offers both the clerk and management and the detailed analyses whether the firm manager is worth the money he is paid to manage client assets.

According to Singh (2000) financial performance helps provide reliable financial information in a economic resources.it provides reliable information about the change s in net resources arising out of various activities. And also provide financial information that assist in estimating the earning potential of the bank.

2.9 Limitation of the financial ratio Analysis

The reliability of ratio analysis in the analysis of financial performance naturally depends on the reliability of the accounting information on which it is based. Financial statement havebecome increasingly complex and it is not easy to determine if creative accounting has been taken place. (Watson and Head, 2007)

According to Casu et al, (2006) precise comparison between similar companies may be difficult as they often compete in different markets have varying product features and customer bases and so on. As such ratio analysis may be misleading as it is often difficult to compare like with like. Despite this problem, financial analyst often undertake peer analysis of similar companies and involves the creation of peer groups.

Accounting ratios only gives past trend but not future trends. Again the impact of inflation is not properly reflected, as many figures are taken at historical numbers, several years old. In addition comparing the ratios with past trend and with competitors may not give a correct picture as the figures may not be easily comparable due to the difference in accounting policies and accounting periods (Greenwalt, 2009)

2.10 Ratio Analysis

Successful businesses constantly evaluate the performance of a company, comparing it with the company's historical figures, with its industry competitors, and even with successful businesses from other industry. To complete the thorough examination of your company's effectiveness, however, you need to look at more than just easily attainable numbers like sales, profits, and total assets.One must be able to read between the lines of financial statement and make the seemingly inconsequential numbers accessible and comprehensible. This comparison can be done using ratio analysis (Atrill and Mclaney, 1997). According to Loth, 2008 analyzing financial statement information, is one of, if not the most important element in the fundamental analysis process .At the same time, the massive amount of numbers in a company's financial statements can be confusing and intimidating to many investors.However through financial ratio analysis, one is able to work with these numbers in an organized fashion. Accounting ration ratios are used to analyses and interpret ate accounting statements (would, 1999).

Kenkel (2001) explains that ratio analysis is perhaps the most common method of financial analysis and it is this method on which most weight is placed.

To Atrill and McLaney (1997) ,some of the indicators commonly used to assess company fundamentals include: cash flow; return on asset ; conservative gearing; history of profit retention for finding future growth; soundness of capital management for the maximizing of shareholders earnings and returns .

Keown et al (2005) also defines financial ratios as being tools that helps businesses to identified some of the financial strengths and weaknesses of the company. In th same view Brigham and Ehrhardt (2002) also emphasizes that financial statement help the various stakeholders of the company to evaluate the financial statement .whilst Mayor (2004) is also of the view that accounting ratios are used to analyze a firm's financial position such as creditors' safety of loans investors ability to analyze how management is performing.

2.10.1 Profitability Ratios

A question one can ask about profitability is that, "is management generating adequate profit on assets sufficient to the asset being invested "(Keown et al 2005).

Closely link with income ratios are profitability ratios, which shed light upon the overall effectiveness of management regarding the returns generated on sales and investments.

Driehuis (2003) also suggest that profitability plays a role in financial analysis, investment in stocks and completion economics. Kenkel (2001) aagain says that profitability measure do exactly what they say, they measure the profitability of the company for the past year and give indicators of how to further inmprove local profitability.

Mayor (2004) is of the view that profitability indicates what a firm is earning. Profitability of firms with low capital intensitive can be better approached by return on sales (ROS) than by return on capital investment (ROCI) .Profitability ratios : includes local savings margin, local savings to local assets , return on assets , return net worth (Kenkel 2001).

2.10.2 Working Capital Ratios

Many believe increase sales can solve many problems. Often, they are correct.

However sales must be built upon some policies concerning other current asset and should be supported by sufficient working capital.

There are two types of working capital: Gross Working Capital, which is all current assets, and net working capital, which are current asset less current liabilities. If it is found that working capital is inadequate, it can be corrected by lowering sales or by increasing current assets through either internal savings (retain earnings) or external savings (sale of stock)(Atirll and Mc Laney 1997).

These ratios are particularly valuable in determining a business's ability to meet current liability.

2.10.3 Bankruptcy Ratios

Many business owners who have filed for bankruptcy, say they wish they had seen some warning signs earlier on in their company's downward spiral. Ratios can help predict bankruptcy before it's too late for business to take corrective action and for creditors to reduce potential losses .With careful planning, predicted futures can be avoided before they become reality. (Atrill and Mc Laney 1997).

2.10.4 Liquidity Ratios

How liquid is the organization? A firm is said to be solvent when its current assets exceed its current liabilities (Terry et al 1997)

While liquidity ratios are most helpful for short term creditors /suppliers and bankers, they are also important to financial managers who must meet obligations to suppliers of credit and various government agencies. Complete liquidity ratios analysis help on cover weaknesses in the financial position of the business (koewn)

2.10.4.1 Current Ratio

Ehrtardt 2002 defines current ratios as the ability of a company to meet short term obligations. Major (2004) also shares the views that liquidity is the ease at which organization converts it asset to cash with no loss.

"The current ratios is a popular financial ratio used to test a company's liquidity (also refer to as its current or working capital position) by deriving the proportion of current assets available overcome current liabilities. The concept behind this ratio is to ascertain whether a company's short terms assets(Cash, Cash equivalents, marketable securities, receivables and inventory) are readily available to pay off it short term liabilities(notes payable, current portion of term debt, payables, accrued expenses and taxes). In theory, the higher the current ratio, the better. (Loth 2008)

It can be view from point that assets that are relatively liquid in nature are compared to the amount of debts. The focus can also be on liquid asset such as inventories and account receivables converted to cash.

2.10.4.2 Quick Ratio

The quick ratio is also known as quick asset ratio or acid test ratio is a liquidity indicator that further refines the current ratio by measuring the amount of the most liquid current assets. They are to cover current liabilities. The quick ratio is more conservative than the current ratio because it exclude inventory, which are more difficult to turn into cash. Therefore a higher ratio means a more liquid current position (loth, 2008)

2.10.5 Debt Ratio

Keown et al (2005) gives a simplified definition to debts ratio as how much the firm uses debt to finance it asset.

Loth (2008) explains Two type of liabilities operational and debts. The formal include balanced sheet account such as account payable, accrued expenses, taxes payables, pension obligation etc.

The later includes note payables and other short term borrowings, current portion of long term borrowings and long term borrowing. Often times in investments literature “debts” is used synonymously with total liabilities. In other instances it only refers to companies’ indebtedness. The debt ratios compare a company’s total debts to it total assets, which is used to gain a general ideas amount of leverages being used by company.

A low percentage mean that the company is less dependent on leverage, that is, money borrowed from and owed to others. The lower the percentage, the less leverage the company is using and the stronger it equity position. In general the higher the ratio the more risks that company is considered to have taken on (A trill, 1997)

2.10.6 Leverage Ratio

Any ratio used to calculate the financial leverage of a company to get an idea of the company's methods of financing or to measure its ability to meet financial obligation. There are several different ratios, but the main factors looked at include debt, equity, assets and interest expenses. A ratio used to measure company's mix of operating costs, giving and idea of how changes in output will affect operating income. Fixed and variable costs are the two types of operating costs: depending on the company and the industry the mix will differ.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter will introduce the study to the steps in gathering data, data used, scope of the study, how data was analyzed, research strategy and finally the profile of the organization and its product.

3.1 Scope of the study

This study covers EGL, from 2006 to 2009. These years were chosen due to the fact that, EGL was listed on the Ghana Stock Exchange in the year 2006, thus the study tries to compare the financial performance of EGL after they have been listed on the Ghana Stock Exchange. The financial years ending 2006 to 2009 represents the financial performance after they were listed.

The study will make use of the statement of financial position, income statement, cash flow statements and notes to the accounts of EGL for the various years under review.

3.2 Data collection and research design

The archival strategy was used, thus research was based on administrative records and documents. These documents can simply be summed up as the past financial statement of EGL. The strategy employed helps the researcher to focus on what transpired after they were listed on the Ghana Stock Exchange and their performance thereafter.

The data used in the research is secondary data. Financial performance was measured using financial ratios.

Financial ratios were used to obtain the necessary information to draw the analysis.

3.2.1 CATEGORIES OF RATIOS USED WERE

1. Profitability ratio

- Return on capital employed
- Net profit margin
- Net asset turnover
- Gross profit margin

2. Activity ratio

- Fixed asset turnover
- Sales to total current assets

3. Liquidity ratio

- Current ratio
- Operating cash flow

4. Gearing Ratio

- Capital gearing ratio
- Debt to equity ratio
- Debt to total asset

5. Investors Ratio

- Dividend per share
- Earnings per share
- Dividend cover
- Dividend yield

3.3 Data Analysis

The analysis was made based on the output of the financial ratios. This research will draw analysis from the end of the year financial statement of EGL and compared with the Bank's average for the respective years (2006-2010)

Procedures used to analyzed financial performance are generally broken down into two categories.

1. Those based upon financial data for two or more fiscal periods

Here data from two or more financial years was imputed and calculated using the accounting ratios and after they are compared to know where they perform were in the previous year as were as where they improved. This is known as comparative analysis.

2. Financial data from only the current fiscal period

In this way the financial analysis was done by comparing the output of the ratios with the Bank's averages. This enables us to know how EGL is performing in the financial sector as a whole.

This study compares the financial statement of EGL for the five year period ending 2010. To make the study more significant and meaningful the research seeks to compare EGL current performance to their historical performance. The basis for the comparison was the use of accounting ratios.

Graphs and charts were also used to show trends in the ratios for the five year period.

3.4.0 Profile of Ecobank Ghana

3.4.1 Introduction

EGL was incorporated on 9th January, 1989 as a private limited liability company under the companies' code to engage in banking business.EGL was initially licensed to operate as a Merchant Bank by the Bank of Ghana on November 10th, 1989 and commence on February 19th, 1990. However, following the introduction of universal banking by the Bank of Ghana in 2003, EGL, true to it form as pacesetters became the first Bank to be granted the universal Banking license from the Bank of Ghana.

The bank is a subsidiary of EGL transnational incorporated (ETI), A Banking holding company which currently has 20 subsidiaries across middle Africa. The ETI Group is thus in more countries in Africa than any other Bank, making it the leading regional Banking group in middle Africa.

EGL has grown consistently over the years to become one of the leading Banks in Ghana and a well recognized brand in the Ghanaian Banking industry. Following its acquisition of a universal Banking license in 2003, EGL was embarked on a strategic move from a predominantly wholesale Bank to Retail Bank.

3.4.2 The Banks Philosophy

EGL believes that its success depends for the most part on its ability to maintain a pool of diverse, resourceful and dynamic work force to serve its customers. The Bank as a policy seeks to source, attract, develop and retain the best talents globally. Accordingly EGL continuously strives to

- Recruit, develop and retain a highly motivated work force natured by an enabling environment

- Provide an environment that identifies, encourages, reward excellence, innovation and quality customer service.
- Provide the climate and resources that enable staff to advance on merit as far as their talents and competence will take them, without regard to gender, race, religion, color, age, national origin, marital status, physical challenges and disability status
- Offer compensation and benefits that are fair, competitive ad linked to performance.
- Maintain avenues for open communication to facilitate creativity and synergy in developing solution to work place challenges.
- Promote work life balances initiatives aimed at helping our employees maintain a healthy balance between their work pressures and family/domestic responsibilities.
- Promote diversity and involvement/inclusion in all our pursuits
- Develop a broad and deep pool of talents and professional with the skills, experience and mindset to operate across different markets and cultures within and beyond the continent of Africa.

3.4.3 The Banks Vision and Mission

EGL's mission is to become a strategic part of a world class Africa banking group. The bank's vision is to provide its customers convenient, accessible and reliable banking products and services.

In line with it EBG seeks to create a unique African institution characterize by a determined focus on customers, employees, shareholders and an absolute commitment to excellence in the financial service industry. The bank seeks to pursue this mission and approve its values by applying the following principles to its business decision and conduct:

- Treat each customer as a preferred customer.
- Invest in training and development of its staff.
- Deliver products and services quality which exceeds customer expectation.
- Develop market and product in which it can reach and maintain competitive.
- Deliver appropriate returns to its shareholders.
- Maintain high standard of ethics and compliance.

3.4.4 Retail Banking

The retail bank focuses on developing the micro, small and medium scaled enterprises high net worth individuals, salaried workers, religious organizations, educational institutions, health institutions as well as clubs and associations across all the bank's branches.

- In line with EGL's strategic focus to offer the full gamut of retail banking products and services, the retail bank has been transformed into four distinct unit:
- Retail assets sales and services delivery
- Retail liability sales and service delivery
- Branches, kiosks and strategic alliances
- Marketing

3.4.4.1 Retail Assets Sales and Service

This unit manages the credit products offered to different segments within the retail bank. These products includes, SME financing, mortgage, auto financing, credit cards, customer finance and micro finance.

3.4.4.2 Retail liabilities sales and services delivery

The unit champions the deposits mobilization drive of the retail bank by offering competitively attractive liability products to its clientele. These include Current Accounts, savings accounts, fixed deposit and western union transfer services. The unit has embarked on an aggressive deposit mobilization by working with and through the branches relationship of offices and the direct sales agents.

3.4.4.3 Branches and Kiosks and Strategic Alliances

In the pursuit of enhancing accessibility on the market, this specialize unit establishes and coordinates the activities of the banks distribution network that is branches, kiosks, strategic alliance with key institutions as delivery channels. The unit plays a key role in identifying strategic location for the Bank's branch expansion drive.

3.4.4 Marketing

This unit drives the marketing at the sales of the banks product and services, working through the relationship officers and the direct sales agents. Its functions include product, development and enhancement to meet the needs of customers. The unit also undertakes advertising and marketing campaigns to promote the products and services.

3.4.5 Wholesale Banking

EGl is a key player in the wholesale banking business in Ghana, having established itself as a leading provider of first class financial services in corporate banking. The strategic focus of the segment is to continue to deliver value added solutions to its clients by leveraging on superior technology and unique understanding of their business needs. The wholesale banking segment is classified under distinct unit to enhance the focus approach to corporate banking: local corporate, public sector, regional corporate and or multinationals. Accordingly despite pursuing a strategic shift into retail banking, EGL continue to deepen its presence in the corporate banking segment.

3.4.6. Transaction Bank

The transaction bank is a business segment focused on creating business solutions that are accessible through all delivery channels (branches, ATM's, Internet, mobile and telephone banking etc). The segment is subdivided into five units namely:

- Cash management sales and services and Trade sales and services
- Card sales and service
- E banking Sales and service
- Electronic channels and field support
- Customer service quality

3.4.6.1 Cash Management sales and services and Trade sales and services

Cash management sales and service unit has manidate to 'follow the cash' ie leverage on technological platforms to intervene in any activities that involves payments and collections. The Trade sales and services unit is in charge of facilitating or marketing trade solutions (including international, regional, and intercity, intracity) SWIFT, rapid transfer etc to boost fees and commissions

3.4.6.2 Card sales and Service

Card sales and services unit is in charge of developing, marketing ensuring full utilization of all card products.

3.4.6.3 E-Banking Sales and Services

E banking sales and services handles the marketing of the E banking products and drives utilizations as well. E.g. Of E banking products include E-collect, Internet banking etc.

3.4.6.4. Electronic Channels and field Support

Electronic Channels and field Support unit is in charge of developing ATM's and point of sales terminals to various sites and outlets. In addition the unit monitors uptime of all electronic channels to ensure that they are reliable and available at all times.

3.4.6.5 Customer Service Quality

The Customer Service Quality unit handles both external and internal customers and ensures that customers are served with speed and accuracy as well addressing all customer related concern. The unit also oversees customer service training and monitors staff compliances on customer service guidelines/ Service level agreement.

3.4.7 Products and Services

The most popular products are shown below.

1. EGL CURRENT ACCOUNT
2. EGL SAVINGS ACCOUNT
3. EGL CARD

4. EGL DEPOSIT ACCOUNT
5. FOREIGN EXCHANGE
6. WESTERN UNION
7. BANKERS DRAFT

3.4.8 Twenty Largest Shareholders

SHAREHOLDERS	% OF SHARES
ECOBANK TRANSNATIONAL INCORPORATED (ETI)	87.47
GHANA REINSURANCE COMPANY LIMITED	1.69
EDC STOCK BROKERS LTD TRADING AC	1.45
SOCIAL SECURITY AND NATIONAL INSURANCE TRUST (SSNIT)	0.90
ANGLOGOLD ASHANTI EMPLOYERS PROVIDENT FUND	0.74
TEARCHERS FUND	0.65
BUCKNOR, JUDE KOFI	0.60
BARCLAYS MAURITIUS	0.2
ECOBANK GHANA LTD STAFF SAVINGS PLAN	0.18
GALTERE INTERNATIONAL FUND	0.17
DR .NII NARKU QUAYNOR	0.13
GHANA COMMERCIAL BANK LTD	0.10
UNILEVER GHANA MAIN PENSION FUND	0.10

DR. AKA JEAN NONELSON	0.09
SIC LIFE	0.09
HYDROCARBON AFRICA G LTD	0.08
UNILEVER GHANA LTD	0.06
DONEWELL LIFE CO LTD	0.06
SIC GENERAL	0.06
MR EDWARD KWAME OTU GYANDOH	0.05
OTERS	5.11
TOTAL	100

CHAPTER FOUR

RESEARCH INVESTIGTION AND ANALYSIS

4.0 Introduction

This chapter concentrates on data collected from the published financial statement; this includes the income statement and the financial position of EGL. The findings and analysis performed with regards to the following:

1. Comparing the financial performance of EGL from 2006-2010 based on trends identified in case section of their financial statements.

2. Financial analysis- ratios and graphical analysis of EGL relevant to various users of financial statements.

Below is a summary of income statement as well as the financial position of the Bank. The table bellows below show the historical performance of EGL from 2006-2010.

INCOME STATEMENT FOR THE YEAR ENDED 2006

	GH 000
NET INTEREST INCOME	456874
COMMISSION AND FEES	174962
	631836
INTEREST EXPENSE	-139628

TOTAL OPERATING EXPENSES	-251602
OTHER EXPENSES	-617
NATIONAL RECONSTRUCTION LEVY	-12894
PROFIT BEFORE TAX	227095
TAXATION	-61793
PROFIT AFTER TAX	**165302**

FINANCIAL POSITION FOR THE YEAR ENDED 2006

SHAREHOLDERS FUND	
STATED CAPITAL	164006
CAPITAL SURPLUS	13533
INCOME SURPLUS AND RESERVE	247270
TOTAL	**424809**
CURRENT ASSETS	
CASH AND BAL WITH BOG	463576
GOVERNMENT SECURITIES AND DUE OTHER BANKS	1859804
LOANS AND ADVANCES	1622454
OTHER ASSET ACCOUNT	176622
INVESTMET IN OTHER SECURITIES	89057

TOTAL CURRENT ASSET	**4211513**
CURRENT LIABILITIES	
DEPOSITE AND DUE TO OTHER BANKS	3380787
INTEREST PAYABLE AND OTHER LIABILITIES	335156
TAXATION	10603
TOTAL CURRENT LIABILITIES	**3726546**
WORKING CAPITAL	**484967**
LONG TERM DEBT	155646
	329321
FIXED ASSET	107099
DEFERRED TAX	-11611
TOTAL	95488
NET ASSET	
INCOME STATEMENT 2007	**GH 000**
INTEREST INCOME	51779
INTERST EXPENSES	-16058
NET INTEREST INCOME	35721
FEES AND COMMISSION	17013
FEES AND COMMISSION EXPENSES	-501

LEASE INCOME	2878
NET TRADING INCOME	6907
DIVIDEND INCOME	328
OTHER OPERATING INCOME	1567
TOTAL INCOME	63913
IMPAIREMENT LOSSES ON LOAN	-591
OPERATING EXPENSES	-33143
PROFIT BEFORE TAX	30179
TAXATION EXPENSES	-7830
NET PROFIT FOR THE YEAR	22349

FINANACIAL POSITION FOR THE YEAR ENDED 2007	**GH 000**
CASH AND BALANCE WITH THE BANK OF GHANA	48273
GOVERNMENT SECURITIES	86468
LOANS AND ADVANCES TO BANK	177580
TRADING ASSETS	8234
DERIVATIVE FINANCIAL INSTRUMENT	3
LOANS AND ADVANCES TO CUSTOMERS	288694
INVESTMENT SECURITIES AVAILABLE FOR SALE	5804

PROPERTY AND EQUIPMENT	16932
DEFERED TAX INCOME	970
OTHER ASSETS	35791
TOTAL ASSETS	668749
LIABILITIES	
DEPOSITES FROM BANKS	59801
CUSTOMER DEPOSITS	437951
OTHER LIABILITIES	45946
CURRENT INCOME TAX	1764
DEFERRED INCOME TAX	2960
LONG TERM BORROWING	55661
TOTAL LIABILITIES	604083
EQUITY	
SHARE CAPITAL	16400
INCOME SURPLUS	23496
OTHER RESERVES	1602
STATUTORY RESERVES	18747
REGULATORY CREDIT RISK	4421
TOTAL EQUITY	64666

TOTAL LIABILITIES AND EQUITY	668749

FINANCIAL POSITION FOR 2006	**GH 000**
SHAREHOLDERS FUND	
Stated Capital	164006
Capital Surplus	13533
Income Surplus and Reserve	247270
TOTAL	424809
CURRENT ASSETS	
Cash and balance with BOG	463576
Government Securities and Due other Bank	1859804
Loans and advances	1622454
Other Asset Account	176622
Investment in other securities	89057
TOTAL CURRENT ASSET	4211513
CURRENT LIABILITIES	
Deposits and due to other Banks	3380787

Interest Payables and other Liabilities	335156
Taxation	10603
TOTAL CURRENT LIABILITIES	372654
WORKING CAPITAL	484967
Long term debt	155646
	329321
Fixed asset	107099
Deferred Tax	-11611
TOTAL	95488
NET ASSET	424809

	GH 000
NET INTEREST INCOME	456874
COMMISSION AND FEES	174962
	631836
INTEREST EXPENSE	-139628

TOTAL OPERATING EXPENSES	-251602
OTHER EXPENSES	-617
NATIONAL RECONSTRUCTION LEVY	-12894
PROFIT BEFORE TAX	227095
TAXATION	-61793
PROFIT AFTER TAX	**165302**

FINANCIAL POSITION FOR THE YEAR ENDED 2006

SHAREHOLDERS FUND	
STATED CAPITAL	164006
CAPITAL SURPLUS	13533
INCOME SURPLUS AND RESERVE	247270
TOTAL	**424809**
CURRENT ASSETS	
CASH AND BAL WITH BOG	463576
GOVERNMENT SECURITIES AND DUE OTHER BANKS	1859804
LOANS AND ADVANCES	1622454
OTHER ASSET ACCOUNT	176622
INVESTMET IN OTHER SECURITIES	89057

TOTAL CURRENT ASSET	**4211513**
CURRENT LIABILITIES	
DEPOSITE AND DUE TO OTHER BANKS	3380787
INTEREST PAYABLE AND OTHER LIABILITIES	335156
TAXATION	10603
TOTAL CURRENT LIABILITIES	**3726546**
WORKING CAPITAL	**484967**
LONG TERM DEBT	155646
	329321
FIXED ASSET	107099
DEFERRED TAX	-1161
TOTAL	9548
NET ASSET	**424809**

INCOME STATEMENT 2008	**GH₵ 000**
INTEREST INCOME	72754
INTERST EXPENSES	(26605)

NET INTEREST INCOME	46149
FEES AND COMMISSION	20878
FEES AND COMMISSION EXPENSES	(1107)
NET FEES AND COMMISSION	19771
LEASE INCOME	4310
NET TRADING INCOME	35309
DIVIDEND INCOME	613
OTHER OPERATING INCOME	1037
TOTAL INCOME	107189
IMPAIREMENT CHARGES ON LOAN	(5793)
OPERATING EXPENSES	(57505)
PROFIT BEFORE INTEREST	43891
INCOME TAX EXPENSES	(10312)
NATIONAL STABILIZATION LEVY	--
NET PROFIT FOR THE YEAR	33579

FINANCIAL POSITION FOR THE YEAR ENDED 2008

LIABILITIES

DEPOSITE AND DUE TO OTHER BANKS	14261

CUSTOMER DEPOSITE	682705
OTHER LIABILITIES	71868
CURRENT INCOME TAX	557
DEFERED INCOME TAX	2227
LIABILITIES AND BORROWING	61782
TOTAL LIABILITIES	**834957**
SHAREHOLDERS FUND	
STATED CAPITAL	16400
CAPITAL SURPLUS	41619
INCOME SURPLUS	41619
REVALUATION RESERVES	1595
STATUTORY RESERVE	22965
REGULATORY CREDIT RISK RESERVE	2781
CAPITAL AND EQUITY ATTRIBUTABLE	85360
NON CONTROLLING INTEREST	(622)
TOTAL EQUITY	**84738**
TOTAL LIABILITIES AND EQUITY	**919695**
ASSETS	

CASH AND BAL WITH BOG	69797
GOVERNMENT SECURITIES AND DUE OTHER BANKS	89679
LOANS AND ADVANCES TO BANK	232609
TRADING ASSETS	5092
LOANS AND ADVANCES TO CUSTOMERS	401531
INVESTMENT SECURITIES	35182
INTANGIBLE ASSETS	2190
PROPERTY AND EQUIPMENT	24381
DEFERED INCOME TAX ASSET	918
OTHER ASSET	58316
TOTAL ASSETS	**919695**

INCOME STATEMENT 2009	**GH₵ 000**
INTEREST INCOME	131379
INTERST EXPENSES	(48922)
NET INTEREST INCOME	82457

FEES AND COMMISSION	44204
FEES AND COMMISSION EXPENSES	(2052)
NET FEES AND COMMISSION	42152
LEASE INCOME	5066
NET TRADING INCOME	28148
DIVIDEND INCOME	448
OTHER OPERATING INCOME	1617
TOTAL INCOME	159888
IMPAIREMENT CHARGES ON LOAN	9518
OPERATING EXPENSES	77681
PROFIT BEFORE INTEREST	72689
INCOME TAX EXPENSES	17195
NATIONAL STABILIZATION LEVY	1641
NET PROFIT FOR THE YEAR	**53853**

FINANCIAL POSITION FOR THE YEAR ENDED 2009	**GH₵ 000**
LIABILITIES	
DEPOSITE AND DUE TO OTHER BANKS	90127
CUSTOMER DEPOSITE	922077

OTHER LIABILITIES	84703
CURRENT INCOME TAX	1147
DEFERED INCOME TAX	3784
LIABILITIES AND BORROWING	82499
TOTAL LIABILITIES	1182780
SHAREHOLDERS FUND	
STATED CAPITAL	100000
INCOME SURPLUS	59041
REVALUATION RESERVES	15491
STATUTORY RESERVE	29654
REGULATORY CREDIT RISK RESERVE	2716
CAPITAL AND EQUITY ATTRIBUTABLE	206902
NON CONTROLLING INTEREST	(1489)
TOTAL EQUITY	**205413**
TOTAL LIABILITIES AND EQUITY	**1388893**

ASSETS

CASH AND BAL WITH BOG	104162
GOVERNMENT SECURITIES AND DUE OTHER BANKS	268534
LOANS AND ADVANCES TO BANK	442806
TRADING ASSETS	2540
LOANS AND ADVANCES TO CUSTOMERS	456159
INVESTMENT SECURITIES	24363
INTANGIBLE ASSETS	3630
PROPERTY AND EQUIPMENT	44015
DEFERED INCOME TAX ASSET	1319
OTHER ASSETS	40665
TOTAL ASSETS	**138819**

EGL has since its operation rendered impressive financial performance in absolute terms. In 2006 the reporting year of operation, the institution recorded an interest income is 456874 which increased to 517790 in 2007 indicating a growth of 13.3%. Again, In 2008 interest income increased to 727540 also indicating an annual growth of 40.5%. Also, in 2009 interest income geometrically increased to 1313790 representing a percentage growth of 80.6%. EGL has experience a tremendous growth of 134.4% in interest income from 2006-2009.

Similarly, EGL's commissions and fees figure appreciated steadily over the years. It was as much as 174962 at the end of 2006 financial year; however in 2007 there was a slightly marginal fall in the commission, thus 170130 representing a percentage decrease of 2.8%.In 2008 commission fee further increased to 208780 indicating a percentage increase of 22.8%.However 2009 there was tremendous increased to 442040 representing a percentage growth of 111.7%.

Consider the interest expense as well as expenses in relation to commissions and fees, 2006 the reported amount was 139628. This amount increased to 165590 at the end of 2007 indicating a percentage increase of 18.6% .The year 2006 the interest expenses increased to 266050 representing a percentage increase of 65.7%. These expenses also increase to 489220 by the end of 2009 indicating a percentage increase of 83.8%.

From the aforementioned paragraphs it can be indicated that the net spread; that is the net interest income, commission and fees have been increasing consistently over the year representing a sign of positive viability of the company over the years. This can be further interpreted as positive trends of profits from the company's core undertakings.

The institution net profit also improves from 165302 to a net profit of 223490 at the end of the financial year 2007 resenting a percentage increase of 35.02%. In 2008, the net profit increased again to 335790, also 50.2% increase over the previous year. The net profit increase again to 538530 at the end of the final year 2009 indicating 60.3%. The above figures represent a consistent annual increase in net profit over the respective years. (2006-2009)

Shareholders fund improves from 424809 in 2006 as a result of floating of shares. In 2007, the shareholders fund decreased to 646660 indicating a percentage increase of 52.2%. In 2008 the shareholders fund increase to 847380 indicating a percentage increase of 31.0%. however in 2009 the shareholders fund increase to 2054130 representing a percentage growth of 142.4%.Thses increase in the value of shareholders fund was due largely to the consistent increase in profit over the respective years.(2006-2009).However in 2006 shareholders fund increase as a result of floating of shares.

Total deposits of 3380787 were recorded in 2006 which increased to 4977520 by the end of 2007. This show an increase of 47.2%. In 2008 total deposits increased to 696966 representing 40.0%.Total deposits at the end of 2009 was 1012204 representing a percentage increase of 45.2%. The annual growth of deposit from 2006-2009 showed an average growth of 44.1%.

Investments in other securities amounted to 89057 by the end of 2006. However, this figure decreased to 58040 and this represent a percentage fall of 34.8%. In 2008 the investment in other securities amounted to 35182 representing a percentage decrease of 39.4%. In 2009 the investment in other securities also fell to 24363 representing a percentage fall of 30.8%

Considering the positive increase in net income, net profit, shareholder fund, investment, it can be inferred that the prospects in relation to profit can be assumed over the short term.

The total assets of the Bank also saw an increasing trend over the years, in 2006 the total assets of the company was worth 4318612.The total asset of the company by the end of 2007 amounted to

6687490 which show an increase of 54.9%.In 2008 the total asset increase to 9196950 representing 37.5%. The total assets of the company by the end of 2009 financial year amounted 13881930 representing 50.9%.

Also the total liability as at 2006 amounting to 3882192 and 2007 amounting to 6040830 respectively. This shows a percentage increase of 55.6%. In 2008 the total liability amounted to 8349570 representing 38.2%.However the total liabilities increase to 11827800 representing 41.7%

Also the total liabilities as at 2006 amounting to 3882192 this represent almost 90% of the total asset in that year. In 2007 the liabilities amounting to 6040830 which represent almost 90% of 2007.The total liabilities for 2008 and 2009 were 8349570 and 11827800 respectively. These also represent 91% and 85% each of the total assets. Averagely, over the years of discussion the bank assets liabilities by over 11%.

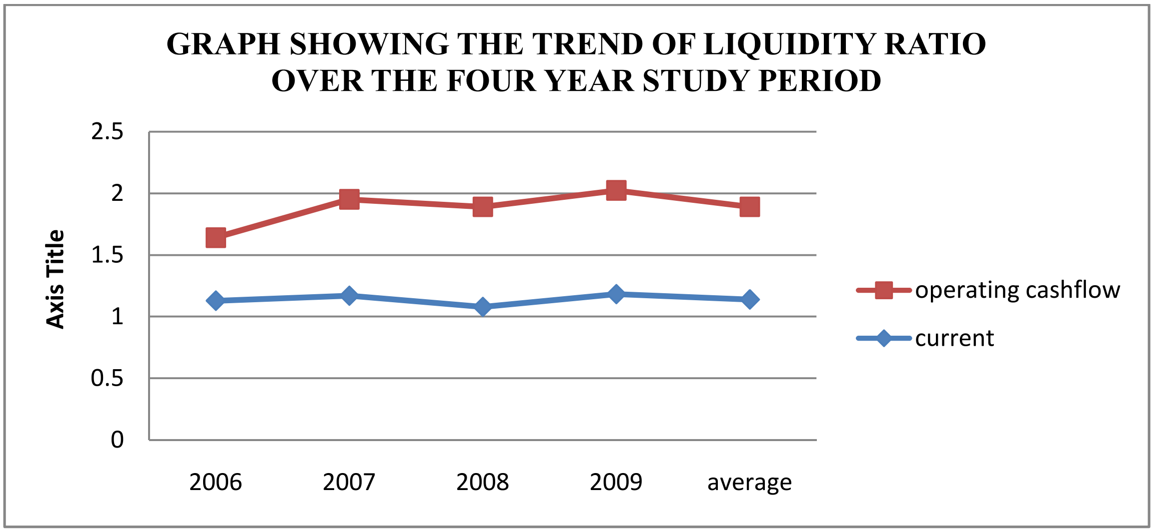
4.1 Financial Analysis

4.1.1 Liquidity Ratio

Table 1: Table showing the trend of liquidity over the four year study period.

Liquidity	2006	2007	2008	2009	average
Current	1.13	1.17	1.08	1.183	1.140
Operating Cash flow	0.51	0.78	0.87	0.84	0.75

Figure 1: Figure showing the trend of liquidity over the four year study period



These ratio measures the ability of the company to meet its short term cash obligations. Thus a company is assumed to able to meet its short term cash obligation if it has current asset that are sufficient to sustain the existing level of current liabilities. The liquidity graph show two type of ratios related to liquidity, which are the current ratio and the operation cash flow .From the graph above the movement of the current evident. The first two years under study (2006-2007) increase and then falls in 2008 and 2009. From the current ratio, the current asset covers the current liability by 1.13:1. This means that everyone current liability is covered by current asset by 0.13 excess.

In 2007 the current ratio, the current asset covers the current liabilities by 1.17:1, this means that everyone liability is cover by 0.17 excess. In 2008 and 2009 the current ratio increased to 1.08 and 1.183 in 2009 as how current asset covers the current liabilities. But the bank average stood at 1.14. This is 1.14:1 meaning that they will be able to meet their current liabilities in the short run and will have current asset in excess of 0.14. This is for the reason that current ratio is more than 1.

The interpretation of the current ratio is summarized in the table below:

TABLE 2: Interpretation of Current Ratio

	CURRENT RATIO	<1	GOING BANKRUPT
1<	CURRENT RATIO	<1.5	MAY FACE DIFFICULTIES
2<	CURRENT RATIO	<2.5	NORMAL

The operating cash flow is usually used to gauge the company's liquidity in the short term. This measures how well the current liabilities are covered by available cash flow generated in the business, without seeking resources from other sources of funding. EGL's ability to cover its current liability in the short term during the year under review is discussed below. From the graph in the year 2006 it was 0.51 and rose to 0.78 in 2008. The ability to meet short term cash obligation again increase to 0.87 and decrease to 0.84 in 2009. However the average of the Bank was 0.75.

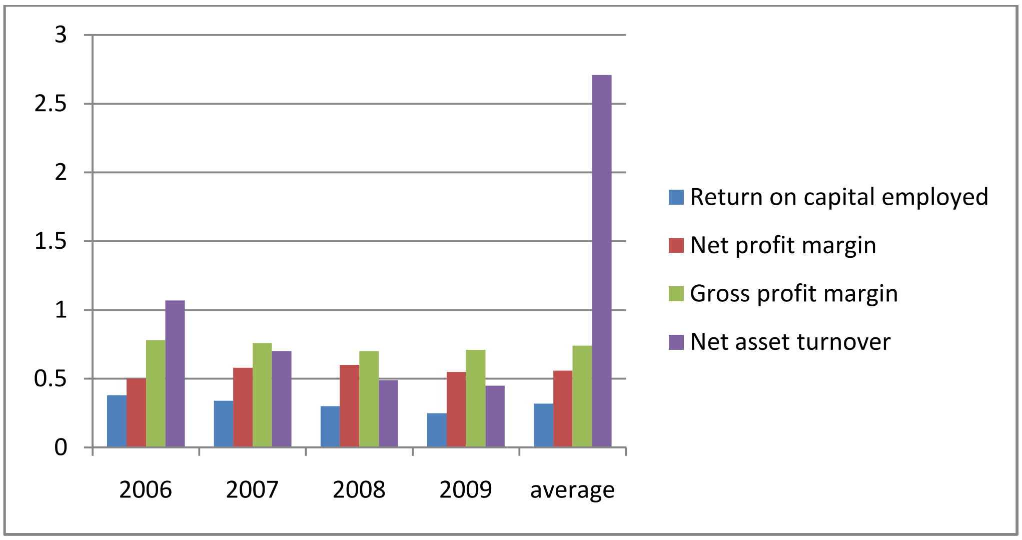
4.12 PROFITABILITY RATIOS

TABLE 3: TABLE SHOWING THE TREND OF PROFITABILITY OVER THE FOUR YEAR STUDY PERIOD

PROFITABILITY	2006	2007	2008	2009	AVERAGE
RETURN ON CAPITAL	38%	34%	30%	25%	32%
NET PROFIT MARGIN	50%	58%	60%	55%	56%

NET ASSET TURNOVER	1.07	0.7	0.489	0.450	2.709
GROSS PROFIT MARGIN	78%	76%	70%	71%	74%

Figure 2: Table showing the trend of profitability over the four year study period



The profitability ratio allows a more specific analysis of the profit margin rather than the absolute figures of the profit and turn over. The ROCE can be said to be the measure of how management are efficiently using the assets under management control. This ratio is often known as the primary ratio. From the above graph it is eminent that the return on capital employed was 38% for 2006 and 34% in 2007 and then began to drop to 30% and 25% in 2008 and 2009.

The ROCE is driven by net profit and capital employed. The profit was increasing but the capital employed was increasing at a faster rate than the net profit. This led to the decrease of the ROCE in the subsequent years. This can also be as a result of the revaluation of assets yearly

This increases the carrying amount of the assets. A practical example of this assertion is the constant geometric increase in the value of their assets at the end of each financial year. However, one will not be wrong to assign the reduction in the return on capital employed but a corresponding increase in profit from 2006 to 2009 to the reason of over investment in assets.

The gross profit margin also experienced a decline level from 78% in 2006 to 76% in 2007 and a further decrease to 70% in 2008. The woes deepened to 71% in 2009. Although the company is increasing in their income, the gross profit margin reduces because, the expenses that are directly related to the generation of the income is also increasing. Also a change in the service efficiency is also another factor. Thus with expenses increasing at a higher rate than profit then it can be inferred that the bank's operations has not been effective as compared to previous years. Example, from 2006 to 2007 interest income and commissions increased by 13.3% with a corresponding increase in expenses for the same period of 40.5%. Again from 2008 to 2009, income increased by 80.6% whiles expenses increased by 65.7%. Although the gross profit margin was decreasing.

Despite the decline in gross profit from 2006, the net profit margin improved from 50% in 2006 to 58% in 2007. Furthermore, it increased to 60% in 2008 and 55% in 2009. The four year average of the net profit margin is 56%. The net profit margin kept on increasing due to the receipt of income from other sources like lease income and dividend income. Also a reduction in other operating expenses forms the basis for the increase in net profit over the years.

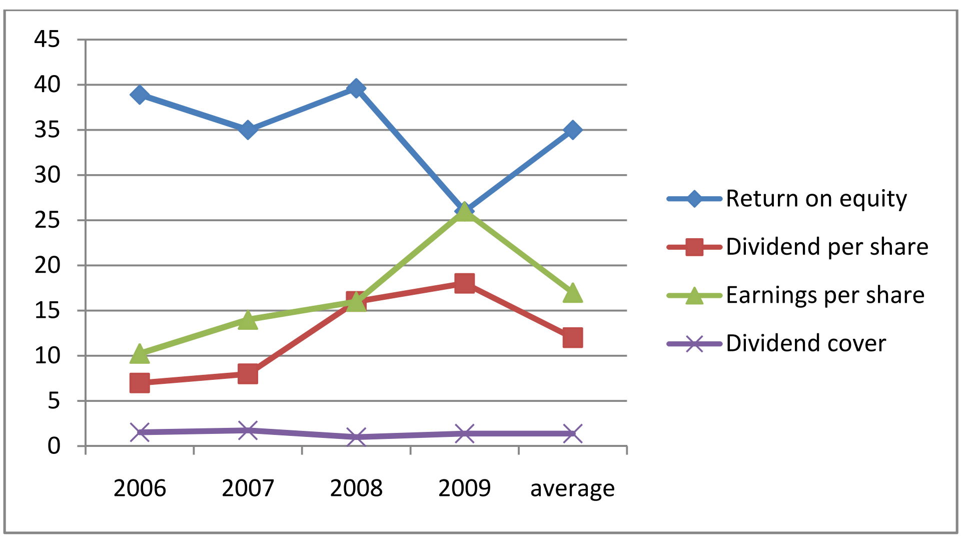
The net assets turnover also decreased from the first year to the second year, but started dropping in the subsequent years.

4.13 Investors Ratio

TABLE4: Table showing the trend of investor ratio over the four year study period

	2006	2007	2008	2009	Average
Return on Equity	38.9 %	35%	39.6%	26%	35%
Dividend per share	7	8	16	18	12
Earnings per share	10.25	14	16	26	17
Dividend Cover	1.52	1.75	1	1.4	1.4

FIGURE 3: figure showing the trend of investor's ratio over the four year study period



This will primarily be used by investors and analysts in order to decide whether they should buy or sell the shares of a particular company. Ratio in this category includes return on equity, dividend per share and dividend cover.

Return on Equity. This ratio measures how well management is doing for the investor because it tells how much earning they are getting for each of the investor's invested wealth. From the graph, the rate of return decrease from 2006/2007. However, after being listed in 2006, the return on equity fell by 5% and appreciated again at the end of 2008 by almost 5%. Over the years the average return on equity was 35%.

Dividend per share: this is the dividend that shareholders receive from holding the shares of the company. This increases every year for EGL shareholders as we see from the graph. From 2006-2007 the percentage increase dividend per share was 14%. Though there was an increase in dividend at the end of 2008, the percentage change as compared to the previous year was 50%. The situation was different in 2009 as the percentage change in dividends increase to 12.5%. it can be inferred that after the company started trading on the GSE, the percentage increase in dividend per share is on an increasing path. Since it has been established that a net profit over the years is on ascending path, it implies that the company reinvest most of its profit.

The most popular means of measuring the company performance is earning per share. In 2006, the earning per share was ten Ghana cedis. The company earning per share increased in the second year of review (2007) to fourteen Ghana cedis. This however change as it showed an increase in 2008 to GH ₵ 16 and further rise to GH ₵ 26 by the end of 2009. It is a mistake to compare profitability based on earning per share. A difference in earning per share can be brought about simply by differences in share capital structure.

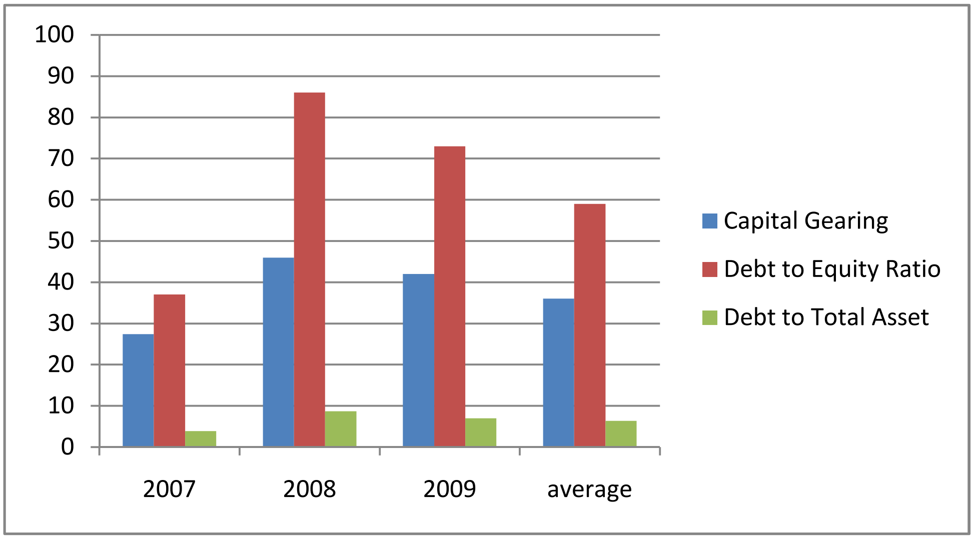
Dividend Cover. This shows the number of times the dividend can be covered by profit attributable to the ordinary shareholders of EGL. In 2006 the dividend cover was 1.52 times. This makes the position of the company better. That is to say the bank retain a lot of its profits which indicates a high level of security, in the sense that if profit in future years. Substantially, the company would still be able to pay the current level of dividend. In 2007 and 2008 it decrease from 1.75 to 1 respectively, this was to make the banks shares attractive to prospective investors. The bank increased the dividend cover to 1.4 in 2008 because if two little profit is retained then although dividends are high in the short term, the future of the bank was threatened. However after 2007 the dividend cover becomes less than the average. This meant the company's position was better in 2007; it went down for 2 years (2008/2009)

4.1.4 Gearing Ratio

TABLE 5: Table showing the trend of gearing over the four year study period

	2006	2007	2008	2009	AVERAGE
DEBT TO EQUITY	37%	86%	73%	40%	59%
CAPITAL GEARING	27%	46%	42%	29%	36%
DEBT TO TOTALASSET	3.9%	8.7%	7%	6%	6.4%

FIGURE 4: Figure showing the trend of gearing over the four year study period



Raising finance from the external sources increases risk because, in the case of loans, there is cost obligation to repay the loan and in the case of equity shares being issued to new shareholders reduce the degree of control existing shareholders have over the company. The relationship debt and equity is referred to as gearing. Management should ensure that the balance between equity finance is appropriate.

From the information gathered the banks funding from outside keeps on increasing was only in 2008 that it fell from 86% to 73%. In 2006 the debt to equity ratio of 37% implies GH₵ 1 of shareholders investment in the company, outside borrowing provides GH₵ 0.37. The company has GH₵ 0.40 of debt for every GH₵ 1 of equity. Thus the company is most highly geared in 2007. The average gearing rate for the period was 59%. During highly geared period like in small movement in profit can have a dramatic influence on earnings. A small drop would in debt service all the profit that would otherwise be available to distributable as dividends. Debt to total assets measured the percentage of total assets funded by debts as against equity. Ratio of the bank over the years has been low. Thus 3.9%, 8.7%, 7%, 6% respectively in 2006-2009. The debt ratio of 8.7% in 2007 is the highest for the period whiles the average total asset of the bank is 6.4%. This average indicates that for every GHȻ 1 of assets, GHȻ 0.64 being finance by the long term or short term debt. The bank has a lower percentage of debt so bigger safety cushion should times turn bad.

Table 6: Table showing the trend of activity ratio over the four year study period

Activity (Efficiency)	2006	2007	2008	2009	Average
Fixed asset turn over	5.9	4.0	3.8	3.9	4.4
Net asset turn over	1.5	1.1	1.1	0.8	1.12

Figure 5: Figure showing the trend of activity ratio over the four year study period

The efficiency shows the output of services provided by the company and the input of the management of the company is charged with the responsibility making maximum using available resources. The ratios in this category showed how efficiently the bank has managed it asset turnover for instance shows how the company is utilizing is assets in relation to its reserve.

EGL had a low asset turn in 2006 of 5.9, but steadily decreases in 2007 to 4.0 and 3.8 in 2008 and 3.9 in 2009 respectively. In 2008 there was a steep decline to 3.8 which was lower than the bank average as the graph shown. This means that in 2008 there were many unutilized assets, some of the assets are overvalued or in the management skills. In all assets were efficiently utilized as the four year average is 4.4.

Fixed asset turnover is how the fixed asset were utilized in connection with revenue generated. The fixed asset turnover decreases 1.5 in 2006 to 1.1 in 2007. This further remains constant to 1.1 in 2008 and deepened to 0.8 in 2009. Fixed asset turnover of 2006 was above the four year average. In 2009 the fixed asset fell below the average.

CHAPTER FIVE

SUMMARY FINDINGS AND RECOMMENDATION

5.0 Introductions

This chapter concludes the study. The chapter gives a summary on the findings and analysis made on the data gathered. It makes recommendation on how the bank can further improve on its financial performance.

5.1 Summary of finding

The most important financial statement analysis dimension which EGL's data provided for the analysis have been profitability, liquidity, leverage activity and investors ratio. Liquidity ratios measures the firm's ability to meet current obligation, and are, calculated by establishing relations between borrowed capital and equity capital. Activity ratios reflect the firm's efficiency in utilizing its assets in generating sales, and are calculated by establishing relationships between sales and asserts. Profitability ratios measure the overall performance of the firm in generating profit, and are calculated by establishing relationships between profit figures on the one hand and sales and assert on the other. The summary of the most important findings and recommendations is discussed below.

One of the prime objectives of this research was to examine how profitable EGL, has been over the four year period ending December 2009.From the data and analysis made, the overall profitability of the Bank has been favorable.

Despite the facts gathered that indicators likes gross profit margin, and return on capital employed was on a declining trend, the net profit margin which measure the profit after all activities kept on rising from year to year. It is astute to note that the expenses directly related to the turnover increased at a higher percentage rate from year to year as compared to the percentage increase in sale. On the other side, the other related expenses increases over the years but at a lower percentage rate.

Also the profitability of the bank was assessed by considering the shareholders fund. A vivid examination of the shareholders fund reveals a consistent increase over the years of assessment. The increase over the years is partly due to retained profits which accounts for the increase in the fund.

It is form deposits that the bank makes profits. A close examination of the financial statement revealed that the deposits of the bank were rising from year to year [2006-2009]. This further affirms the bank's ability to generate substantial amounts of profits from year to year.

Finally, the bank's investment figures on the balance sheet from year to year showed up and down trends over the year of assessment. The upward trend is a positive sign of profitability of the firm. This is to say that the bank's ability to invests and receive returns from these investments confirm EGL profitable nature.

Considering the competitive nature of the banking sector in recent times together with the increase in the deposit of the banks with the bank of Ghana, it can be concluded from the persistent increase in net Profit, net income, deposit, shareholders fund, and investment over the years of study; that the bank has been able to generate enough profit to be declared as a profitable venture.

Another aim of the research was to find out the level of funding from external sources. This was summarized in the fourth objective of this research as "to determine the level of gearing associated with the bank"

The first indicator of funding from external source was the debt to equity ratio. This ratio revealed that the funding from external sources had an upward and downward trend. This is to say that while it increased over some years, it fell over other years. The most important factor was the percentage change which was marginal over the years except over the years. the reported debt to equity ratio which was less than 50% for the first and last years of study, can be said to be a good sign of less funding from outsiders.

However the relationship between external finance and internal finance was high in 2007 and 2008 indicating a high level of gearing for that year. It can be inferred from the average over the period that the debt to equity ratio was unfavorable. The debt to total assets again comes to confirm the favorability of EGL gearing. The calculated ratios show that on the on the average 6.4% of assets were financed by debt over the period of discussion.

Too much debt and a company is said to be highly geared while a low geared company is mainly financed by financed by its shareholders. From the above paragraphs which is drawn from the analysis made, it can be inferred that EGL is mainly financed by its shareholders hence a low gearing status.

The activity based ratio which consist of the fixed asset turnover and the net asset turnover we also assessed. The net asset turnover was maintained at a low with an average of 1.12. This ratio was low because EGL doesn't use more of its assets in service delivery. The net asset turnover also decreased from 2006 to 2009; in 2009 it dropped to 0.8 because after it was listed in 2006, its current asset rose and that caused the net asset turnover to decrease to 0.8.

The liquidity ratio for the years is at the normal level. This is eminent in the financial statements over the years as the banks current assets could cover their liabilities over the respective years of study. The bank has been able to maintain a normal level of the liquidity due to the year to year permanent expansion of the business. Management also arranged additional finance; thus the issuance of equity in 2006 to finance the increasing working capital. This in effect strengthened the liquid of the bank from 2006 and even further improved it in 2007.

Shareholders (both existing and prospective) can use the investment ratio to assess the wealth creating ability of EBGs. It recognizes that the effects of earning to the investors are significant. The investor's ratio continues to rise. This shows that the return on shareholders' fund has increased since the four year period. The risk associated with investing in EGL in minimal. This is eminent in their proposed as well as paid dividends. Also it reflects in the increase in the share price which increases to GH2.00 in 2007. The investment is also secured as profit is able to cover the current year's dividends. These can be attributed to factors such as High after tax profits that are attributed to ordinary shareholders.

With inferences from the aforementioned paragraph it can be concluded that over the years of study (2006-200) the returns on investment keeps on increasing hence the wealth of investors are being maximized.

5.2 Recommendation

EGL has shown a good performance as the study shows. Yet there is still room for improvement as the Ghanaian banking sector continues to grow each day, the competition between the banks gets keener each day. Also investors are always seeking to invest in business that is performing well year by year. In view of this, these recommendations are made to help them improve in the performance;

1. The bank should embark on a vigorous and continuous education of individuals and household and small and medium enterprises to develop the habit of saving because it is one o the best alternatives which could help push Ghana above poverty line. The education should be intense to help raise the deposits of the bank. Since the deposit move hand in hand with profitability, the bank will make more profit.

2. To attract more customers, the bank should introduce new products such as internet banking as well as telephone banking to it customer.

3. When embarking on any developmental project, the bank should first consider raising fund from internal source. However it is very astute for the bank to use a combination of both internal and external resources of financing.

4. The bank should make maximum utilization of it asset base by increasing It operation or dispose obsolete assets.

5. The bank should consider investing in short term to generate more income in the short run. For instance in 2007 the bank had too much cash in circulation and this could be allocation to other short term m investment.

6. The interest expense and expense on the fees and commission are controllable cost. This cost can be controlled to increase the gross profit. Management can cut down on these expenses by using cost reduction strategies such as rationalization through value analysis.

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