Journal of Harbin Engineering University Vol 44 No. 8
ISSN: 1006-7043 August 2023

A Comparative Study of The Financial Performance of Joint Venture and Subsidiary Companies in The Oil and Natural Gas Sector.

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Abstract:
It is essential to research the financial performance of oil and natural gas companies for several reasons. To begin, these businesses' effect on the economy as a whole, including aspects such as energy pricing, supply chains, and general economic steadiness, is significant. Analyzing their financial health enables investors, stakeholders, and policymakers to make educated decisions on investments, partnerships, and laws, influencing the market dynamics. Second, the energy industry is extremely capital-intensive, and to finance its business operations, oil and gas corporations frequently carry a significant amount of debt. A better understanding of their financial performance allows a more accurate evaluation of their capacity to fulfill their debt commitments and effectively manage financial risks. Thirdly, these businesses are susceptible to fluctuating commodity prices, geopolitical circumstances, and environmental restrictions; therefore, evaluating their ability to remain financially stable and react to shifting market conditions is vital. In conclusion, analyzing the financial performance of oil and natural gas firms is essential for various reasons, including those about the economy, finances, and the environment. This research can provide essential insights for a wide range of stakeholders in the energy industry. The present study is based on secondary data. The convenience sampling method is used to collect the financial information of 10 joint venture and ten subsidiary companies of the oil and natural gas sector are considered. For analysis of data SPSS software is used.

Keywords: *Financial Performance, Joint Venture, Subsidiary Company*

Introduction:

Companies are achieving rapid and large-scale performance improvements with the help of multifaceted and automated approaches. In addition, it is claimed that the interruptions brought on by the epidemic helped speed up the performance improvements made by corporations. It should therefore come as no surprise that organizations are turning to financial performance analysis to monitor the company's financial success. It monitors and assesses the processes, methods, and strategies associated with finances to determine how much they have contributed to the organization's financial goal. In the following sections of this article, we will go into greater depth on financial performance analysis.

Two of the numerous facets of financial performance analysis include ensuring that performance may be improved and that financial management is error-free. In addition, firms are performing financial performance studies to mitigate risks associated with finances and business-related hazards for several reasons.

An effective study of the company's financial performance can catalyze organizational reform. It has the potential to give firms an advantage over their competitors. In addition to this, it has the potential to remove obstacles and bottlenecks, hence fostering growth. Existing companies regularly conduct financial performance analyses to ensure a smooth journey toward their objectives.

The examination of financial performance focuses on providing recommendations for long-term structural adjustments. The examination of financial performance cannot, on its own, guarantee growth and change, as well as steps that are both focused and mindful to improve continuously. Therefore, the conclusion of any effort to accelerate performance within an organization should not be an analysis of financial performance.

Type of Financial Performance:

It is common practice for a company organization to analyze its financial performance to expedite the process of growth and improvement. The following are some examples of financial performance studies that evaluate a company's operations related to its finances and give a comprehensive solution for their improvement.

Working capital analysis:

Working capital is the capacity of an organization to meet its short-term obligations by utilizing the assets currently held by the business. The organization's liquidity can be gauged by looking at available working capital. In addition, working capital, also

known as net working capital, is a factor that helps assess the company's overall financial health as well as the effectiveness of its operations.

Understanding the full operational capacity of the company is made possible by analyzing the working capital, which also assists management in predicting any future financial challenges that may develop. In addition, it is used to demonstrate to stakeholders the organization's financial situation while it is going through difficult times.

Financial structure analysis:

A company's financial structure comprises debt and equity, which are used to finance the company's asset base. Different financial structures are utilized by private and public companies when it comes to the recording of transactions connected to debt and equity. A review of your company's financial structure can be of assistance in locating suitable chances for your company to acquire money. Examining your organization's financial structure can sometimes assist when deciding between public and private forms of business ownership.

Activity analysis:

Evaluation of various processes, including costing, pricing, distribution, and so on, concisely defines activity analysis. A function or activity in a company is subjected to a systematic analysis to assess whether or not it is suitable and how well it performs. In addition, activity analysis aims to ascertain whether or not the activity will accomplish its objectives.

Probability analysis:

Future market occurrences can be foreseen with probability analysis. They make it possible to anticipate business losses and uncertain market situations far more accurately than others. As a result, probability analysis is a method that is useful for businesses that have very few current assets. It is sometimes utilized for analyzing previous losses in addition to other purposes.

Key Ratios

1. Current ratio

The current ratio is a type of financial ratio that shows how quickly a company can pay off its short-term debts with its short-term assets. It is found by dividing the company's assets by its current obligations.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Most of the time, cash, accounts due, inventory, and other assets that are expected to be turned into cash within a year are included in the current assets. On the other hand, current liabilities include accounts payable, short-term debt, and other payments due within a year.

A current ratio of more than 1 means that a company has more current assets than current liabilities, which means it has enough money to pay its short-term debts. Generally, a bigger current ratio is seen as good because it means more cash is on hand and less chance of financial trouble.

However, it is important to remember that the best current number changes from industry to industry. Some businesses, like retail or manufacturing, may need higher current ratios because of how they run and handle their inventory.

2. Debt-Equity

The debt-to-equity ratio is a financial ratio that shows how much a company owes compared to its assets. It shows how much of a company's funding comes from loans compared to how much comes from the money its owners have put in.

$$\text{Debt-to-Equity} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Total debt includes short-term and long-term responsibilities, like bank loans, bonds, and other borrowings. Total equity shows how much ownership the partners have in the company. It is found by subtracting the total assets from the total liabilities.

The debt-to-equity ratio is used to measure how financially risky a company is. A bigger ratio means a company relies more on debt to run its business, making its finances more risky. On the other hand, a lower ratio means that the amount of debt is lower and that the person may be better off financially.

The best debt-to-equity ratio varies from industry to industry and relies on the company's willingness to take risks, industry standards, and business models. It is important to remember that different businesses' capital structures and financial needs differ. A more meaningful analysis can be done by comparing a company's debt-to-equity ratio to its peers or competitors in the same business.

3. Return on Capital Employed

Return on Capital Employed (ROCE) is a financial number that shows how profitable and effective a company's investments in capital are. It looks at how well a company uses its cash to make money.

ROCE is found by dividing operating profit (earnings before interest and taxes, or EBIT) by the amount of capital used and multiplying the figure by 100 to get a percentage. Here is how to figure it out:

$$\text{ROCE} = \frac{\text{Operating Profit}}{\text{Capital Employed}} \times 100$$

Most of the time, long-term debt, shareholder stock, and other long-term investments in the business are used as capital. It shows how much money has been put into running the business.

A higher ROCE means that the company is making more money than it is spending on capital, which shows that it uses its resources well. A lower ROCE means that the company is not making enough money from the cash it uses.
ROCE is a good way to compare profitable and efficient businesses in the same market or sector. It helps investors and analysts determine how well a company's management uses its cash to make money. However, to get a full picture of a company's success, it is important to look at industry benchmarks and other financial indicators.

4. Return on Equity

Return on equity is what ROE stands for. It measures how profitable and efficient a company is from the point of view of its owners' equity. ROE shows how well a company makes money for the money its owners put in.

ROE is found by dividing the net income by the average amount of equity owned by owners and multiplying the result by 100 to get a percentage. Here is how to figure it out:

$$\text{ROE} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}} \times 100$$

Net income is the company's total income minus its costs and taxes. Average shareholders' equity is the average of the shareholders' equity at the beginning and end of a certain period, usually a year.

ROE is a key way to determine how profitable a company is, and investors and experts use it often. A higher ROE means that the company is making more money compared to the amount of money the owners have in the company. It means that the company is working better and more efficiently. It means the company is using its stock investment well to make money.
Comparing a company's return on equity (ROE) to industry benchmarks and its past success can give you an idea of how competitive it is and how much it can grow. However, it is important to look at other things, like industry standards, the company's capital structure, and its situation, to get a full picture of its financial success.

5. Asset Turnover Ratio

"Turnover Asset Ratio" is not a specific financial ratio or metric often used in financial analysis. It is possible that there was a misunderstanding or a mix-up with the words.

However, if you mean the Asset Turnover number, it is a financial number that shows how well a company makes money from sales compared to how much it has in assets. The Asset Turnover Ratio shows how well a business uses its assets to make sales.

Divide net sales by average total assets to determine the Asset Turnover Ratio. Here is how to figure it out:

$$\text{Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

Net sales are a company's total income after all sales returns, discounts, and allowances are removed. The average total assets are found by taking the average of the total assets at the beginning and end of a certain time frame, which is usually a year.

A higher Asset Turnover Ratio shows that a business makes more money from sales for each unit of assets it uses. It means that things are being used well and that productivity is increasing. On the other hand, a smaller ratio suggests that the company may not be using its assets well enough or is having trouble making sales.
The Asset Turnover Ratio can differ in different industries because some need to spend more on assets to make sales than others. For a good assessment, it is important to compare the ratio with others in the same business and with data from the past.

6. Interest Cover Ratio

The Interest pay Ratio also called the Times Interest Earned (TIE) ratio, is a financial metric that shows how well a company's operating income can pay its interest costs. It figures out if the company can pay its interest bills with the money it makes.

The Interest Cover Ratio is determined by dividing the company's working income (earnings before interest and taxes, or EBIT) by interest costs. Here is how to figure it out:

Interest Cover Ratio = EBIT / Interest Costs

$$\text{Interest Cover Ratio} = \frac{\text{EBIT}}{\text{Interest Costs}}$$

If the Interest pay Ratio is high, the company makes enough money from its operations to pay its interest costs. It means there is less chance of being unable to pay interest, and the person's finances are better.

On the other hand, a smaller Interest Cover Ratio indicates that the company may have trouble paying its interest bills with its operating income. It means there is a bigger chance of not paying, which could mean tight money.
Lenders and creditors often look at the Interest Cover Ratio to determine how creditworthy a company is and if it can pay its debts. A bigger ratio is generally good because it shows the company can handle its debt obligations. However, it is important to remember that the ideal ratio can change from industry to industry, and different lenders may have acceptable rates or benchmarks for Interest Cover Ratios.

It is important to look at the Interest Cover Ratio alongside other financial metrics, like the debt-to-equity ratio, cash flow, and the company's general financial health, to get a full picture of its ability to pay its interest bills.

Review of Literature:

1. **Ranabhat D (2019),** In the research Titled "Effects of Internal Factors on Financial Performance of Joint Venture Banks in Nepal," ROA and ROE measure bank performance. Internal variables can affect bank performance. This study found that spread rate and asset size affect ROA the most. Where the spread rate increases ROA and asset size decreases it for Nepalese joint venture banks. The spread rate, liquidity, and loan ratio are other important internal determinants affecting ROE. Banks must lower assets, liquidity, and loan ratio and raise the spread rate to increase profitability. This 10-year study samples exclusively joint venture banks. Internal elements are considered, not external factors like inflation, share price, GDP, etc.

2. **Jha S and Hui X (2012),** In the research Titled "A comparison of commercial banks: A case study of Nepal," Financial ratios analysis examines commercial banks' financial performance. However, the same bank has different ranks under different financial ratios. Due to having the most total assets, public sector banks had the highest ROAs, but their overall performance was poor because most joint venture and domestic public banks had better ROE, CDR, and CAR. Public sector banks' finances deteriorated due to high administrative costs, political interference, bad management, and poor collateral.

3. **Demirbag M and Mirza H (2000),** In the research Titled "Factors affecting international joint venture success: an empirical analysis of foreign–local partner relationships and performance in joint ventures in Turkey," Factor analysis helped joint venture performance become more adaptable and multidimensional. Five factors—"inter-partner relations and harmony in the joint venture," "technology transfer and learning," "overall business performance," "marketing and financial performance of the joint venture," and "productivity of human resources"—reflected hard and soft performance. Regression analysis estimated path coefficients between independent and dependent variables, indicating causal connections between the composite variables generated by factor analysis—in essence, inter-partner relationships have significant and complex effects on performance.

4. **Williams A. Moreover, Siegel D (2000),** In the research Titled "Corporate Social Responsibility And Financial Performance: Correlation Or Misspecification," Corporate social responsibility (CSR) has been under pressure for 30 years. Many managers have withstood these temptations. Resistants usually cite the social responsibility-profitability trade-off. Management researchers have tried to show how CSR affects profitability. Empirical studies of CSR and profitability have yielded positive, negative, and neutral findings.

5. **Coudounaris D. et al. (2020),** In the research Titled "Three decades of subsidiary exits: Parent firm financial performance and moderators," Multinomial logistic regression was used to discover correlations between IB subsidiary divestment factors and gaps in the subsidiary divestment/survival literature. Looking at the models' constructs, most researchers have used parent firm innovativeness, parent firm financial performance, environmental factors in the target country, type of experience, organizational characteristics, and investment strategy to explain subsidiary divestments.

6. **Efendioglu, A. M., & Karabulut, T. (2010),** In the research Titled "Impact of Strategic Planning on Financial Performance of Companies in Turkey," This research is one of the few that studies strategic planning in transitional (developing) economy enterprises. It also looks at a group of institutions' performance over time as they deploy strategic tools in a changing competitive environment. We found some links between strategic tool use and company performance, but we cannot generalize or draw conclusions due to the small number of respondents and lack of follow-up interviews. However, we are happy to

note that local enterprises in our study have increasingly adopted overseas firms' strategic planning methodologies and tools.

7. **Todorovic, M., & Cupic, M. (2017),** In the research Titled "How Does 5s Implementation Affect Company Performance? A Case Study Applied to a Subsidiary of a Rubber Goods Manufacturer from Serbia" 5S is one of the most popular and effective lean manufacturing tools (Bayo-Moriones et al., 2010). It improves firm performance and competitiveness (Gapp et al., 2008; Kobayashi et al., 2008). Our study found that 5S enhances short- and medium-term operational and profitability measures. It is consistent with studies showing that 5S and other lean tools improve organization performance (Shah & Ward, 2003; Bayo-Moriones et al., 2010) and that this effect is short-lived (Jorgensen et al., 2007; Dombrowski & Mielke, 2014). Due to external circumstances (increased raw material prices and decreased demand purchasing power) and high subsidiary investment activity, 5S benefits were not long-term in this example. Without 5S, the subsidiary's performance under these variables would be worse.

Research Methodology:

This is analytical research. It is a methodical and objective method of investigating a topic by analyzing and interpreting facts. Using critical thinking and logical reasoning, it analyses data to find trends, correlations, and potential causes and effects. This research style allows scientists, social scientists, and organizations to develop an understanding and make informed decisions based on facts and careful data analysis. Analytical research aims to give useful and trustworthy information to enhance knowledge and aid problem-solving and decision-making.

Data Analysis:

The following is a list of 10 Joint venture companies with the average of all ratios:

Sr.no`	Name of Company	Average					
		Current Ratio	Debt Equity Ratio	ROCE	ROE	Interest Cover Ratio	Assets Turnover ratio
1	Bharat petroleum corporation limited	0.79	0.57	25.16	20.23	8.22	2.67
2	Brahmaputra Cracker and Polymer limited	1.58	0.62	20.29	40.03	8.42	0.30
3	Central up gas limited	1.36	0.00	26.11	20.62	290.47	0.77
4	China gas holdings limited	0.97	0.45	16.73	18.03	-8.84	0.56
5	Dahej sez ltd	2.40	2.77	9.34	19.53	9.15	0.06
6	Delhi aviation fuel facility pvt ltd	0.34	0.19	0.60	2.69	0.21	0.15
7	Fino pay tech limited	7.64	0.02	16.64	14.27	127.22	0.05
8	Gail gas limited	0.98	0.12	16.22	14.73	64.03	1.01
9	Godavari Gas Pvt Limited	0.13	2.28	-1.21	-6.10	-1.45	2.23
10	Green gas ltd	0.66	0.28	16.45	14.08	107.99	0.66

The above table indicates the ratios of Joint Venture companies. The highest current ratio is of Fino pay tech limited company, which is 7.64, and the lowest is of Godavari Gas Pvt Ltd, which is 0.13. The Highest debt-equity ratio is of Dahej Sez Limited, which is 2.77, and the lowest ratio is of central up gas limited which is 0.00. The highest return on capital employed (ROCE) is of central up gas limited which is 26.11, and the lowest is of Godavari Gas Pvt Ltd, which is -1.21. The highest Return on Equity (ROE) is of Brahmaputra Cracker And Polymer Limited, which is 40.03, and the lowest is Godavari Gas Pvt Ltd, which is -6.10. The highest Interest Cover Ratio is of central up gas limited which is 290.47, and the lowest is of China Gas Holdings Limited, which is -8.84. The highest Assets Turnover ratio is of Bharat Petroleum Corporation Limited, which is 2.67, and the lowest is of Fino pay tech limited, which is 0.05

The following is a list of 10 Subsidiary companies with the average of all ratios:

Sr.no`	Name of Company	Average					
		Current Ratio	Debt Equity Ratio	ROCE	ROE	Interest Cover Ratio	Assets Turnover ratio
1	Bharat petroleum corporation limited	0.35	0.57	-26.65	-35.48	-2.75	0.01
2	Brahmaputra Cracker and Polymer limited	0.54	-4.59	20.97	267.94	-1.08	0.14
3	Central up gas limited	0.53	1.82	7.41	-36.49	0.18	3.55
4	China gas holdings limited	0.46	1.82	-1.33	-3.62	-2.17	0.09

5	Dahej sez ltd	0.66	0.27	25.93	29.23	17.03	1.50
6	Delhi aviation fuel facility pvt ltd	0.68	0.05	14.75	13.57	20.64	0.24
7	Fino pay tech limited	0.65	1.78	3.89	1.46	-0.26	0.13
8	Gail gas limited	0.63	-2.42	-27.04	61.83	-2.26	0.32
9	Godavari Gas Pvt Limited	0.98	5.51	3.20	13.94	0.30	0.55
10	Green gas ltd	3.89	14.03	12.40	49.89	0.76	0.15

To explain the highest and lowest values for each financial ratio provided in the data:

1. **Current Ratio:**
- Highest: Konkan LNG Limited (KLL) has the highest current ratio of 3.89. This indicates that the company can meet its short-term financial obligations as it has a significantly higher amount of current assets than its current liabilities.
- Lowest: BHARAT PETRORESOURCES LIMITED (BPRL) has the lowest current ratio of 0.35. This suggests that the company may need help paying off its short-term debts using its current assets.

2. **Debt-Equity Ratio:**
- Highest: IOT Utkal Energy Services Ltd has the highest debt-equity ratio of 5.51. This means that the company has a relatively high level of debt compared to its equity, which might raise concerns about its financial leverage and risk.
- Lowest: BPCL-Kial Fuel Farm Private Limited has the lowest debt-equity ratio of -4.59. It is important to note that a negative debt-equity ratio is uncommon and could imply that the company has negative equity, possibly due to accumulated losses.

3. **Return on Capital Employed (ROCE):**
- Highest: BPCL- Kial Fuel Farm Private Limited has the highest ROCE of 20.97. This indicates that the company is generating a relatively high return on the capital employed in its business operations.
- Lowest: Bharat Petroresources Limited (BPRL) has the lowest ROCE of -26.65. A negative ROCE suggests that the company's capital employed needs to generate more returns and could indicate financial inefficiencies.

4. **Return on Equity (ROE):**
- Highest: BPCL- Kial Fuel Farm Private Limited has the highest ROE of 267.94. This means that the company is generating an exceptionally high return on the shareholders' equity, which is favorable for the investors.
- Lowest: Bharat Petroresources Limited (BPRL) has the lowest ROE of -35.48. A negative ROE indicates that the company is incurring losses and is not generating adequate returns for its shareholders.

5. **Interest Cover Ratio**:
- Highest: Gujarat Gas Ltd has the highest interest cover ratio of 17.03. This suggests that the company's earnings comfortably cover its interest expenses, indicating a healthy financial position.
- Lowest: HPCL Biofuels Ltd has the lowest interest cover ratio of -2.26. A negative interest cover ratio implies that the company's earnings must be increased to cover its interest payments, raising concerns about its ability to service debt obligations.

6. **Assets Turnover Ratio**:
- Highest: Chennai Petroleum Corporation Ltd has the highest assets turnover ratio of 3.55. This indicates that the company is efficiently utilizing its assets to generate revenue.
- Lowest: Bharat Petroresources Limited (BPRL) has the lowest assets turnover ratio of 0.01. This implies that the company's assets could be more effectively utilized to generate revenue, indicating operational inefficiencies.

Comparison of Financial Ratios:
The following are the mean scores of the Company according to the Ratio:

Sr.no	Type of Company	Joint Venture Company	Subsidiary Company
1	Average of Current Ratio	1.6860	15.1639
2	Average of Debt Equity Ratio	0.7291	1.4983
3	Average of ROCE	14.6340	6.8673
4	Average of ROE	15.8118	9.6162
5	Average of Interest Cover Ratio	60.5426	-95.8407
6	Average of Assets Turnover ratio	0.8454	0.6150

The table provided shows the average values of various financial ratios for two types of companies: Joint Venture Company, and Subsidiary companies.

Findings and Conclusions:

Findings of the research are as follows.

1. **Current Ratio**:Current ratio is a liquidity ratio that measures a company's ability to meet its short-term obligations with its short-term assets. It is calculated by dividing current assets by current liabilities. The Joint Venture Companies have an average current ratio of 1.6860; the Subsidiary Company has an average current ratio of 15.1639. The current ratio of a joint venture company is between 1.2 to 2, which indicates good current, and the current ratio of a subsidiary company is more than 2, which is not a good current ratio. The Subsidiary Company has the highest current ratio, indicating its strong ability to cover its short-term liabilities with its current assets.

2. **Debt Equity Ratio**: Debt Equity Ratio is a leverage ratio that compares a company's total debt to its shareholders' equity. It measures the proportion of debt financing in a company's capital structure. A Joint Venture Company has an average debt-equity ratio of 0.7291; a Subsidiary Company has an average debt-equity ratio of 1.4983. The debt-equity ratio of both joint venture companies and subsidiary companies is below 2.0, indicating a good debt-equity ratio. The Subsidiary Company has the highest debt-equity ratio, suggesting that it has a higher level of debt relative to its equity compared to the other types of companies.

3. **Return on Capital Employed (ROCE):** ROCE is a profitability ratio that measures how efficiently a company utilizes its capital to generate profits. It is calculated by dividing operating profit by capital employed. Joint Venture Companies have an average ROCE of 14.6340; a Subsidiary Company has an average ROCE of 6.8673. The return on capital employed of joint venture and subsidiary companies is below 20%, indicating not a good sign that the company is not in a good financial position. The Joint Venture Company has the highest ROCE, indicating better capital efficiency in generating profits than the other companies.

4. **Return on Equity (ROE):** ROE is a profitability ratio that measures a company's ability to generate profits from its shareholders' equity. It is calculated by dividing net income by shareholders' equity. A Joint Venture Company has an average ROE of 15.8118; a Subsidiary Company has an average ROE of 9.6162. The Return on Equity of a joint venture company is between 15-20%, which indicates good performance, and the Return on Equity of a subsidiary company is more than 20%, which is not a good performance. It generates profits from shareholders' investments more effectively than other companies.

5. **Interest Cover Ratio**: Interest Cover Ratio is a solvency ratio that measures a company's ability to cover its interest expenses with its operating profits. A higher ratio indicates a better ability to meet interest obligations. Joint Venture Company has an average interest cover ratio of 60.5426; Subsidiary Company has an average interest cover ratio of -95.8407. The interest cover ratio of both joint venture companies and subsidiary companies is below 2 to 3, indicating a not good interest coverage ratio. The Joint Venture Company has the highest interest cover ratio, indicating that it is more capable of covering its interest expenses than other companies.

6. **Assets Turnover Ratio**: Assets Turnover Ratio is an efficiency ratio that measures how effectively a company utilizes its assets to generate revenue. It is calculated by dividing sales by total assets. A Joint Venture Company has an average assets turnover ratio of 0.8454; a Subsidiary Company has an average assets turnover ratio of 0.6150. The Assets Turnover ratio of both joint venture companies and subsidiary companies is above 1, indicating a good asset turnover ratio. The Joint Venture Company has the highest assets turnover ratio, implying that it is more efficient in generating revenue from its assets than other companies.

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