DETERMINANTS OF PROFITABILITY IN MANUFACTURING COMPANIES IN NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**DETERMINANTS OF PROFITABILITY IN MANUFACTURING COMPANIES IN NEPAL**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declared that all information sources and literature used are cited in the reference section of the dissertation.

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Mandira Thapa

July, 2024

REPORT OF RESEARCH COMMITTEE

Mrs. Mandira Thapa has defended research proposal entitled "**DETERMINANTS OF PROFITABILITY IN MANUFACTURING COMPANIES IN NEPAL**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Dhurba Subedi and submit the thesis for evaluation and viva voce examination.

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(Supervisor)

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Dissertation Proposal Defended Date

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APPROVAL SHEET

We have examined the dissertation entitled "**DETERMINANTS OF PROFITABILITY IN MANUFACTURING COMPANIES IN NEPAL** "presented by Mrs. Mandira Thapa for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Mandira Thapa

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ABBREVIATIONS

AIN	:	Annual Inflation in Nepal
ANOVA	:	Analysis of Variance
BNCLB	:	Bottlers Nepal Company Limted (Balaju)
BNCLT	:	Bottlers Nepal Company Limited (Terai)
CI	:	Capital Intensity
GDP	:	Gross Domestic Product
HDCL	:	Himalayan Distillery Company Limited
LEQ	:	Liquidity
LEV	:	Leverage
MBS	:	Master in Business Studies
ME	:	Management Efficiency
NRB	:	Nepal Rastra Bank
ROE	:	Return on Equity
S.D.	:	Standard Deviation
SPSS	:	Statistical Package for the Social Sciences
T.U	:	Tribhuwan University
ULNCL	:	Unilever Nepal Company Limited
WC	:	Working Capital

ABSTRACT

The objectives of research are; to assess the factors affecting profitability of Nepalese manufacturing companies. to analyze the relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on Equity(ROE) and return on assets of the manufacturing companies in Nepal and to examine the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity(ROE) and return on assets of the manufacturing companies in Nepal. The researcher done literature review of the research is mainly based on articles and thesis of previous scholars. The descriptive and casual relation research design is used. The population is all the manufacturing companies of Nepal and three four sample manufacturing are taken for research randomly. Each companies has a 10 observation and in total 40 observations and secondary data SPSS and Excel are the tools of data analysis. The finding is that through descriptive statistics and empirical review is the factors affecting profitability are liquidity, leverage, management efficiency, capital intensity, annual inflation in Nepal and gross domestic product. The liquidity, leverage and capital intensity relationship to the return on equity is significant. The managerial efficiency, annual inflation rate and gross domestic product have not significant relationship with return on equity. The liquidity, leverage and capital intensity have significant relationship to the return on assets. The managerial efficiency, annual inflation rate and gross domestic product have not significant relationship with return on assets. The impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on equity and gross domestic product has not significant impact to the return on equity. The impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on assets and gross domestic product has not significant impact to the return on assets.

Keywords: *capital structure, profitability, manufacturing companies*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

The effective utilization of resources by a company to generate revenue is crucial for determining its profitability. Profitability, a key indicator of company performance, enhances investment returns. Conversely, poor profitability indicates inadequate performance, leading to capital erosion and potentially, eventual failure. Investing inherently involves anticipating a favorable rate of return (Hossain, 2013).

Nanda and Panda (2018) underscored the critical importance of performance for both profit-making and non-profit organizations. Performance encompasses efforts directed towards achieving specific goals, focusing not only on outcomes but also on the methods used to achieve them. Goal attainment requires a combination of human, financial, and natural resources (Armstrong, 2006). Performance is an activity applied to actions, often linked to efficiency in spending, management responsibility, or accountability. Financial performance management is integral to organizational performance management (Khan et al., 2015). According to Armstrong (2006), financial performance is a subjective measure of a firm's effectiveness in utilizing assets for core business operations and revenue generation. It serves as a broad indicator of a firm's financial health over time, facilitating comparisons among similar firms within the same industries or sectors. Optimal financial performance not only enhances a firm's market value but also contributes to industry growth and overall economic success.

The assessment of profitability in manufacturing companies has received attention in corporate finance literature. These firms, acting as intermediaries, not only enable cost savings but also efficiently allocate funds from surplus to deficit economic units, supporting investment activities in the economy (Alsharari & Alhmoud, 2019).

In Nepal profitability is the various factors which are affected. The factors which affected to the profitability of a Nepalese organization are Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI) and working capital (WC), and annual inflation (AI) and

GDP growth (GDPG). Therefor the study is conducted on “determinants of profitability in manufacturing companies in Nepal”.

1.2 Problem Statement

Several factors contribute to the profitability of organizations, encompassing both internal and external influences. Internal factors play a significant role in affecting organizational profitability. A problem statement serves as a succinct representation of an issue needing attention or improvement, articulating the gap between the current state of a process or product (the problem) and its desired state (the goal). Formulated based on factual information, a well-crafted problem statement should address who, what, where, when, and why. A crucial step in problem-solving involves understanding the problem, facilitated by a clear and well-defined problem statement. This statement enables project teams to grasp the problem and work towards devising solutions, providing management with specific insights to make informed decisions on project approval (Egbunike & Okerekeoti, 2018).

The primary objective of a problem statement is to identify and clarify the problem, delineating the current context, the problem's location, and its impacts on users, finances, and related operations. Additionally, the problem statement outlines the expected context, offering a comprehensive vision for the process or product and clarifying the project's purpose and goals. Moreover, the problem statement serves as a communication tool, facilitating engagement from project stakeholders. It ensures that the identified problem and goals are accurately described before project initiation. The saying "a problem well stated is half solved" highlights the importance of a clear and precise problem statement. Only after achieving consensus on the problem statement should discussions about potential solutions and subsequent actions commence.

The profitability of manufacturing companies in Nepal remains a critical concern due to its significant role in the country's economic growth and development. However, the factors influencing profitability within this sector are not thoroughly understood. This research aims to identify and analyze the key factors impacting the profitability of manufacturing firms in Nepal (Hassan & Muniyat, 2019). By examining firm-specific variables such as size, leverage, asset turnover, and sales growth, alongside market-related factors like market share and industry growth rate, and external influences including macroeconomic conditions, regulatory

environment, and labor costs, this study seeks to uncover the multifaceted drivers of financial performance in Nepali manufacturing companies. The findings are expected to offer valuable insights for managers, investors, and policymakers to develop strategies and policies that enhance profitability and ensure sustainable growth in Nepal's manufacturing sector.

The problem statement or research question is following.

- What are the factors affecting profitability of Nepalese manufacturing companies?
- Is there any relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal?
- What is the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal?

1.3 Objectives of Study

The main objective of research is to find out the impact of capital adequacy and operating efficiency to the profitability of the manufacturing company in Nepal. It can be further extended the following number three objectives.

- To assess the factors affecting profitability of Nepalese manufacturing companies.
- To analyze the relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on Equity(ROE) and return on assets of the manufacturing companies in Nepal.
- To examine the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity(ROE) and return on assets of the manufacturing companies in Nepal.

1.4 Rationale of the Study

The rationale behind investigating the factors influencing profitability in Nepal's manufacturing sector stems from its substantial economic contribution to the country. Manufacturing significantly boosts Nepal's GDP and employment, making its financial well-being crucial for overall economic stability and growth. By identifying the drivers of profitability in this sector, stakeholders can devise strategies to enhance performance and

address challenges specific to Nepal, such as infrastructure deficits, political instability, and limited access to finance. Factors like operational efficiency, market conditions, technological advancements, and government policies play pivotal roles in shaping profitability, offering businesses opportunities to optimize operations and improve financial outcomes.

From a policy standpoint, empirical findings from this research are invaluable for crafting effective interventions to support manufacturing. Policymakers can utilize this knowledge to design targeted measures such as tax incentives, subsidies, infrastructure development, and workforce skill enhancement programs, creating a conducive environment for manufacturing growth. For investors, understanding these profitability determinants is essential for making informed decisions on resource allocation, thereby fostering better investment environments and attracting capital to the sector.

This research also contributes significantly to academic literature in industrial economics and business management. It provides context-specific insights that enrich global understanding of profitability determinants in emerging economies. Moreover, by emphasizing how sustainable practices impact profitability, the research encourages companies to adopt more environmentally and socially responsible methods, aligning economic gains with broader societal benefits. Ultimately, the findings not only support immediate economic improvements but also pave the way for future studies and policy formulations, promoting a resilient and competitive manufacturing industry in Nepal capable of thriving in the global market.

1.5 Limitations of the Study

The study has following limitations:

- The sample of the research manufacturing are only four because of the availability of the data for ten year or years of operations at least 10 years required and they are limited number in Nepal.
- The research is based on the secondary source of the data and they are collected from the annual report of the manufacturing company's date 2013/14 to 2022/23.
- Factors influencing profitability in urban areas might differ from those in rural settings, limiting the generalizability of results across different regions within Nepal.

- The study used descriptive statistics correlation analysis and regression analysis for achievement of objectives and these statistical models and analytical methods may have inherent limitations.

CHAPTER- II

LITERATURE REVIEW

This chapter focuses on examining literature pertaining to the "Factors Influencing Profitability in Manufacturing Companies in Nepal." The objective of this review is to gain insights into the subject area, identify recent developments, and inform the approach for the current study. Previous research serves as the basis for the present investigation and is therefore essential. The chapter delves into existing literature, including research articles, pertinent studies, journal reviews, and analyses of previous theses. The following topics are explored within this section.

2.1 Theoretical Review

Theory of Profitability

Risk Theory of Profitability

In his publication "Insurance and Business Profit" in the October issue of this journal, Professor J. B. Clark acknowledges the consensus reached with Professor Mangoldt of Germany. They assert that every business, and by extension society, experiences an annual influx of wealth that offsets the risks encountered. Professor Clark expresses satisfaction in receiving recognition from his esteemed colleague, reinforcing the validity of his arguments. The central assertion remains that significant net income arises inevitably from assuming risks, a principle that remains fundamentally consistent (Hawley, 1893).

Uncertainty Bearing Theory of Profitability

F.H. Knight introduced the Uncertainty Bearing Theory of Profitability, distinguishing between two types of risks: foreseeable risks that entrepreneurs can anticipate and unforeseeable risks that defy prediction. Knight argues that anticipated risks, which can be insured against, do not yield profits, as insurance firms assume responsibility for such risks rather than entrepreneurs. He posits that profits stem from non-insurable, unpredictable risks. Examples of insurable risks include industrial fire losses, while non-insurable risks encompass factors like labor strikes, intense competition, and shifts in consumer preferences leading to reduced product demand.

Innovation Theory of Profitability

The Profit from Innovation Theory, credited to Schumpeter, emphasizes the commercial application of inventions. Innovation involves the practical implementation of newly developed products or production methods for commercial purposes. An entrepreneur who introduces a novel product to the market and achieves above-average profits is considered an innovator. However, extraordinary profits from innovation are typically short-lived.

Liquidity (L)

Liquidity ratios assess a company's ability to meet immediate obligations using its liquid assets. Companies with higher liquidity are less likely to face financial distress since they can generate cash flow even under adverse conditions. Studies, such as those by Daniel & Tilahun (2013), have established a correlation between financial institution profitability and liquidity. However, conflicting perspectives, such as those proposed by Pasiouras and Kosmidou (2007), suggest a tension between profitability and liquidity.

Leverage (LEV)

Leverage serves as a tool in financial analysis to assess a company's risk exposure, encompassing financial, operational, and investment-related risks. It measures the extent to which a company finances its operations with debt, revealing its ability to meet financial obligations. Understanding a company's debt levels is crucial for evaluating its financial stability and risk management strategies.

Managerial Efficiency (ME)

Effective management is crucial for business success, ensuring that managers fulfill their roles competently and contribute to increased productivity and a positive work environment. Managers set the tone for their organizations and exemplify behaviors valued by employees, thereby influencing overall company performance and profitability.

Capital Intensity (CI)

The Capital Intensity Ratio reflects a company's reliance on asset acquisitions to sustain growth. It impacts factors such as capital expenditures (Capex), depreciation, and net working capital (NWC), influencing corporate valuation and financial performance.

Annual Inflation (AI)

Annual Inflation measures the rate at which prices for goods and services increase over time, eroding purchasing power. It is a critical economic indicator, calculated using various methods such as the Consumer Price Index (CPI), and has implications for economic growth and real economic activities.

GDP Growth (GDPG)

Gross Domestic Product (GDP) quantifies a country's total economic output, providing a comprehensive measure of its economic health and performance over time.

Profitability

Profitability is essential for commercial banks as it supports innovation, diversification, and operational efficiency within the banking sector. Higher profitability enhances stability and resilience against risks and economic shocks. However, market reforms in certain regions have posed challenges to profitability, highlighting the complex interplay between regulatory changes and banking sector performance.

2.2 Empirical Review

Oyelami et al. (2024) conducted research on profitability among agricultural equipment fabricators in Oyo State, Nigeria. They employed a multistage sampling procedure to select 48 respondents, from whom data were collected using a structured questionnaire. Socioeconomic and enterprise characteristics were analyzed using percentages, while gross margin analysis assessed enterprise profitability. A linear regression model was utilized to identify the drivers of profitability. Results indicated that a majority of fabricators produced processing equipment, operated in workshops of average size, and achieved profitability based on positive returns on investment per unit of currency. Factors such as fabrication as a secondary occupation and registration with the Corporate Affairs Commission significantly influenced profitability. The study recommends regulating the fabrication sector through policy interventions to enhance standardization and increase production units, thereby improving enterprise profitability.

Rimadhani and Siagian (2024) examined the impact of liquidity ratio, firm size, gearing ratio, and market share on profitability within the Indonesian manufacturing sector, focusing on automobiles and components. Using quantitative research with a sample of 10 companies and employing panel regression analysis through Eviews10 software, they found that liquidity ratio

positively affects profitability proxies such as return on assets, net profit margin, and gross profit margin. Conversely, leverage measured by gearing ratio negatively impacts net profit margin, while firm size and market share also influence profitability with varying significance levels.

Mirović et al. (2024) analyzed factors influencing bank profitability across the euro zone, aiming to provide recommendations for enhancing profitability in specific euro zone countries. They utilized bank-specific determinants (NPL, CIR, NIM, NIF, NIT) and macroeconomic determinants (GDP, inflation, unemployment, debt) from 2015 to 2020 using panel data techniques (random effects, fixed effects, GMM) across 18 countries. Findings indicated that NPL and cost-to-income ratio negatively affect bank profitability, while net interest income, net income from trading assets, and net fee and commission income positively influence profitability. Among macroeconomic variables, GDP positively impacts profitability, while inflation, unemployment, and government debt have negative effects, highlighting varying impacts across countries.

Nguyen et al. (2023) investigated the profitability determinants of the Portuguese meat manufacturing sector using balanced panel data from 233 firms between 2014 and 2020. They employed static and dynamic panel estimators to analyze Return on Assets (ROA) as a profitability proxy, exploring firm characteristics, industrial attributes, and external environment variables. Results indicated moderate profitability levels with significant performance variations among firms, emphasizing factors contributing to sector success within Portuguese agricultural production.

Sala-Ríos (2023) studied the determinants of profitability in Spanish cooperatives over 13 years (2008–2020), focusing on firm-specific, industry-specific, and location factors. The research highlighted significant influences such as firm size, liquidity, indebtedness, regional specialization, location economies, and lagged profitability positively affecting cooperatives' profitability. Conversely, factors like age and international market presence negatively impacted profitability, underscoring the complexity of cooperative performance dynamics over time and across regions.

Aldboush et al. (2023) investigated the financial determinants influencing profitability among listed service companies in Jordan, emphasizing the underexplored impact of financial

indicators on profitability. Utilizing a firm effect model on panel data spanning 2015 to 2020 from annual company reports, the study included 46 public service firms. Regression analysis tested hypotheses using three profitability proxies: Return on Equity (ROE), Earnings per Share (EPS), and Return on Assets (ROA). The findings indicated that firm size and liquidity positively and significantly affect profitability. However, company efficiency and market power were found to have no significant impact. Among financial indicators, neither firm nor sales growth significantly influenced profitability, whereas sustainable growth rate positively impacted profitability. Notably, ROE exhibited higher firm effects compared to ROA and EPS. The study offers managerial insights for enhancing profitability through effective policies tailored to the context of developing countries like Jordan, benefiting managers, investors, and shareholders alike.

Kusz et al. (2022) analyzed endogenous factors affecting Return on Equity (ROE) and their implications for strategy in biogas plants within Poland's energy sector. Using the DuPont model and deviation method to analyze ROE changes, the study noted a decrease in average ROE from 17.2% in 2019 to 13.9% in 2020, attributed to reduced financial leverage and increased debt levels in the biogas plants studied. The research suggests that risk reduction and debt management negatively impact ROE levels.

Soni (2022) examined firm-specific factors influencing the performance of India's hospitality sector over 11 years (2010–2020), using a sample of 440 public and private hospitality firms. Controlling for unobserved heterogeneity, the study identified net asset turnover, liquidity, foreign earnings intensity, and age as factors positively impacting profitability. Conversely, solvency and size were found to negatively affect firm performance. The study highlighted differences in impact magnitudes between private and publicly listed hospitality companies.

Santoso and Samboro (2022) investigated the impact of Capital Adequacy Ratio (CAR) on Profit Distribution Management (PDM), with Return on Assets (ROA) as a mediating variable in Islamic Commercial Banks (BUS) from 2010 to 2020 in Indonesia. Their findings revealed a positive and significant effect of CAR on ROA, with both CAR and ROA positively influencing Profit Distribution Management (PDM) in Islamic commercial banking contexts.

Kumar et al. (2022) examined the factors influencing profitability in insurance companies in Fiji from 2010 to 2015. Using return on assets and return on equity as profitability metrics, the

study found that higher premium income, underwriting expenses, administrative expenses, and capital volume positively correlated with profitability. Conversely, leverage measured by total liability over equity and contingent liabilities showed a negative association with profitability.

Ayoush et al. (2021) assessed the impact of liquidity, leverage, and solvency on the profitability of industrial enterprises listed on the Amman Stock Exchange from 2012 to 2018. Their findings revealed a significant negative impact of financial leverage on profitability. Liquidity, solvency, and leverage were identified as critical factors influencing profitability, with leverage having the most substantial relative impact.

Susilo et al. (2020) investigated the determinants of profitability in manufacturing companies in Indonesia from 2010 to 2017. They found that working capital, firm size, and firm growth positively influenced profitability. However, factors like capital structure and non-debt tax shields did not have a significant effect on profitability, aligning with pecking order theory and financial agency theory.

Le et al. (2020) conducted a study on 73 listed construction companies in Vietnam from 2008 to 2015. Their research highlighted various impacts on profitability: negative effects from company age and debt ratio, positive effects from growth rate, asset utilization performance, and company size, and an ambiguous effect from the proportion of fixed assets in total assets.

Camino-Mogro and Bermúdez-Barrezueta (2019) identified the main determinants of insurance profitability in Ecuador from 2001 to 2017. In the life insurance sector, net premiums, technical reserves, capital ratio, and efficiency score were significant micro-determinants. In the non-life sector, additional factors such as claim level and liquidity ratio played crucial roles, with HHI (Herfindahl-Hirschman Index) affecting profitability in the life insurance sector.

Nanda and Panda (2018) analyzed firm-specific and macroeconomic factors influencing profitability in Indian manufacturing firms from 2000 to 2015. Their study, using panel generalized least squares and panel vector autoregression models, highlighted the exchange rate as a significant factor affecting earnings, particularly during crisis periods.

Nguyen and Nguyen (2020) investigated the financial performance determinants of 1343 Vietnamese companies across six industries from 2014 to 2017. They found positive impacts of firm size, adequacy ratio, and liquidity on profitability metrics like return on assets (ROA) and return on sales (ROS). However, they also identified negative impacts such as firm size on return on equity (ROE) and financial leverage on both ROE and ROS.

Alsharari and Alhmoud (2019) studied the determinants of profitability in 28 Sharia-compliant corporations in Jordan from 2013 to 2015. They concluded that disclosure significantly influenced profitability, while factors like firm size, ownership ratio exceeding 5%, liquidity ratio, non-Jordanian ownership percentage, and firm age did not significantly affect profitability.

Işık (2017) explored the impact of firm-specific factors on the profitability of 153 listed real sector firms in Turkey from 2005 to 2012. The study revealed that profitability, measured by return on assets (ROA), was influenced by firm size, liquidity, asset tangibility, debt structure, stock return volatility, firm age, and the financial crisis. Growth opportunities were found to have no statistically significant impact on profitability.

Al-Jafari et al. (2015) investigated profitability determinants for industrial firms in Oman from 2006 to 2013. They identified a positive and statistically significant relationship between profitability and firm size, growth, fixed assets, and working capital. Conversely, they found that the average tax rate and financial leverage had a negative impact on profitability.

Table 1

Summary of Empirical Review

S.N	Author	Objectives	Methodology	Finding
1	Oyelami et al. (2024)	To examined the enterprise profitability among agricultural equipment fabricators.	A linear regression model was employed to identify the factors influencing profitability among the respondents.	The results indicated that a majority of the fabricators manufactured processing equipment, with fewer engaged in producing farm tools. Most of these fabricators operated within an average workshop space. Analysis of the gross margin demonstrated that total revenue surpassed the total production costs, suggesting

				profitability and return on investment per Naira for their enterprise.
2	Rimadhani & Siagian (2024)	To analyzed and measure the extent to which liquidity ratio, firm's size, gearing ratio and market share affect the profitability on Indonesia manufacturing, case study with automobiles and components sector	The research employs a quantitative approach with a sample size of 10 companies and utilizes financial panel regression analysis using Eviews10 software to examine common model effect regressions.	This study indicates that liquidity ratios positively influence profitability, measured by indicators such as return on assets, net profit margin, and gross profit margin. Conversely, leverage, as measured by the gearing ratio, negatively impacts profitability, particularly affecting net profit margin. Additionally, company size and market share show some influence on profitability, albeit with lower statistical significance.
3	Mirović et al. (2024)	To analyze which factors affect the profitability of banks in the euro zone.	This empirical study analyzed quarterly data series from Eurostat across eighteen countries in the euro zone.	They found that at the euro zone level, non-performing loans (NPLs) and the cost-to-income ratio negatively affect banks' profitability. Conversely, net interest income as a proportion of operating income, net income from trading assets relative to operating income, and net fee and commission income as a share of operating income positively influence banks' profitability.
4	Aldboush et al. (2023)	To examine the financial factors affecting profitability across the listed Jordanian service companies.	This study utilizes the firm effect model. It is based on panel data spanning from 2015 to 2020, derived from annual company reports. Regression analysis was	The profitability of Jordan's service firms is assessed using three measures: Return on Equity (ROE), Earnings per Share (EPS), and Return on Assets (ROA). The findings indicate that firm size and liquidity have a positive and statistically significant influence on profitability. However,

			employed to test the hypotheses of the study.	company efficiency and market power do not show a significant impact on profitability. Additionally, neither firm size nor sales growth significantly affects profitability, while the sustainable growth rate exhibits a positive and significant effect. Furthermore, the impact of firm-specific factors is more pronounced for ROE compared to ROA and EPS among Jordan's service firms.
5	Nguyen & colleagues (2023)	To provide insights into the profitability of the Portuguese meat manufacturing sector and its determinants.	They utilized balanced panel data encompassing 233 Portuguese firms from 2014 to 2020, employing both static and dynamic panel estimators to analyze Return on Assets (ROA) as a proxy for firm profitability.	The study highlights factors that contribute to the success of the sector, emphasizing meat manufacturing as a highly valued component of Portuguese agricultural production.
6	Sala-Ríos (2023)	To analyze the determinants of profitability for Spanish cooperatives.	Highlighting the main research query about notable variations in cooperatives' profitability influenced by these factors	The results indicate that factors such as size, liquidity, debt levels, regional focus, local economic advantages, and past profitability have a positive influence on profitability. Conversely, age and involvement in international markets show negative impacts
7	Kusz et al. (2022)	To determine the endogenous factors that	The DuPont model was used in the analysis	The examined biogas plants should be considered satisfactory, and in 2020 it

		determine ROE, the direction of the impact of these factors, as well as the strategy of biogas plants in shaping the ROE Level.	of ROE changes. They used the deviation method to determine the impact of the various factors on ROE	was, on average, 13.9%. The decrease.
8	Soni, Arora & Le (2022)	To explores whether the firm-specific characteristics have changed over time due to changes in Political regimes and differ between private and publicly listed companies.	A sample of 440 public and private hospitality firms for 11 years and after controlling for unobserved heterogeneity using firm fixed effects, they tested the relationship between firm characteristics and performance.	The results demonstrate that the net asset turnover, liquidity, foreign earnings intensity, and age have significant, positive impacts on profitability. In contrast, solvency and size have negatively impacted firm performance.
9	Santoso & Samboro (2022)	To examines the effect of Capital Adequacy Ratio (CAR) on Profit Distribution Management (PDM) with Return on Assets (ROA).	The sampling technique used is purposive sampling. The analysis technique used is path analysis.	The results showed that CAR had a positive and significant effect on ROA. On the other hand, CAR and ROA positively and significantly impact PDM
10	Kumar et al. (2022)	To examined the determinants of profitability of insurance companies in Fiji as a reference country. In Fiji, insurance companies and the services have grown over the years.	The study uses a financial evaluation approach.	They found that the estimation is that premium income, underwriting expenses, administrative expenses and volume of capital are positively associated with profitability, whereas leverage measured by total liability over equity, and contingent liability are negatively associated with profitability.

11	Ayoush et al. (2021)	To show the relative impact of liquidity, leverage, and solvency on profitability of industrial enterprises listed on the Amman Stock Exchange to ascertain which of them has the most effect on profitability.	To 44 Jordanian industrial companies are examined from 2012 to 2018. Multiple regression analysis was used to check the hypotheses.	The study revealed a significant negative correlation between financial leverage and profitability. However, no statistically significant relationship was observed between liquidity, solvency, and profitability. Among the independent variables examined, leverage had the most pronounced relative impact on profitability, followed by solvency and then liquidity.
12	Susilo et al. (2020)	To explore the most significant profitability determinants of the manufacturing companies in Indonesia.	Correlation and regression analysis are conducted.	The study's findings suggest that profitability was positively associated with working capital, firm size, and firm growth. However, capital structure and non-debt tax shield were found to have no significant impact on profitability.
13	Le et al. (2020)	To determine of the factors influencing on the trend of the profitability of enterprises is an essential.	This study was conducted based on data collected from 73 listed construction companies in Vietnam for the period 2008-2015 with 584 observations and using quantitative method	The study findings indicate the following relationships: The age of the company and debt ratio have a negative impact on profitability. Growth rate and asset utilization performance positively affect profitability. Company size also positively influences profitability. The proportion of fixed assets in total assets has an uncertain effect on profitability.
14	Nanda & Panda (2018)	To examine the firm-specific and macroeconomic determinants of profitability of Indian manufacturing firms.	The panel generalized least square and panel vector auto-regression model have been employed.	The study concludes that in the short term, fluctuations in exchange rates do not lead to increased profitability. However, in the long term, profitability tends to increase due to the positive impact of

				nominal exchange rate volatility.
15	Nguyen & Nguyen (2019)	To investigate the determinants of the financial performance of 1343 Vietnamese companies categorized into six different industries listed on the Vietnamese Stock Exchange.	The method used is descriptive and verification with multiple regression analysis.	They discovered that financial leverage significantly negatively affects ROE and ROS but has a positive impact on ROA. Liquidity positively affects both ROA and ROE but negatively affects ROS. Solvency positively impacts ROA and ROS but negatively impacts ROE.
16	Işık (2017)	To examine empirically the influence of firm-specific factors on the profitability.	The panel data models seem to imply that.	It is found that growth opportunities measured by the ratio of capital expenditure to sales have no statistically significant impact on the profitability of real sector firms.
17	Teshome et al. (2017)	To examining the determinants of the financial performance of private commercial banks	Correlation and multiple linear regressions of panel data for the eight banks for the years 2007 to 2016 is analyzed using random effect model	Results showed that Capital Adequacy Ratio Credit Interest Income and Size of the bank have positive and statistically significant effect on financial performance. Non-performing Loans, Loan Loss Provision Leverage Ratio and Operational Cost
18	Al-Jafari & Samman (2015)	To investigates the determinants of profitability for industrial firms in Oman.	Correlation and regression analysis.	A positive and statistical significant relationship between profitability, the firm size, growth, fixed assets and working capital. On the other hand, the average tax rate and the financial leverage variables show a negative relationship with profitability.

2.3 Review of Literature in Nepalese Context

Chand et al. (2024) investigated the factors influencing bank profitability in small developing economies, focusing on institutions, globalization, and global uncertainty. Their study,

conducted on seven banks in Fiji, utilized fixed effect estimation to analyze both bank-specific and macroeconomic factors. They found that bank-specific variables such as net interest margin, non-interest income, bank size, and capital adequacy ratio positively correlated with bank profitability. Conversely, non-performing loans and credit risk had negative associations with profitability. Macro variables like real GDP growth and remittances were found to positively impact bank profitability. Institutional factors such as government effectiveness and voice and accountability also showed positive associations with profitability. Globalization was identified as a supportive factor for bank profitability. They observed that global uncertainty and the Global Financial Crisis had positive associations with profitability, whereas the global pandemic (COVID-19) had a negative impact. This study highlights the need to consider a broad range of factors beyond financial statements to gain a comprehensive understanding of bank operations and profitability dynamics.

Sah and Pradhan (2023) investigated the impact of non-performing loans, operational effectiveness, and financial parameters on Nepalese commercial banks' profitability. Using return on equity and return on assets as dependent variables, they analyzed data from 20 commercial banks over the period 2015–16 to 2020–21. Their regression models and correlation coefficients revealed that leverage negatively influenced return on assets, while liquidity ratios had positive effects on both return on equity and return on assets. Additionally, net interest margin positively impacted return on equity and return on assets.

Khadka and Pradhan (2023) explored the determinants of profitability in Nepalese insurance companies, focusing on macroeconomic and firm-specific factors. Using return on equity (ROE) and return on assets (ROA) as dependent variables, they analyzed data from sixteen insurance firms over the period 2013–14 to 2020–21. Their regression models showed that liquidity ratio negatively impacted return on assets, while asset tangibility had a positive effect. Dividends per share were positively associated with both return on equity and return on assets, and premium growth positively influenced return on assets. Conversely, inflation was found to negatively affect return on assets.

Rai (2023) investigated the performance of Nepalese commercial banks after recapitalization, with return on equity and return on assets as dependent variables. Bank deposit, capital investment ratio, bank size, liquidity, and capital adequacy ratio were chosen as independent

variables. The study utilized secondary data from 26 commercial banks spanning 2013–14 to 2020–21. Regression models and correlation coefficients were employed to evaluate the impact of recapitalization on Nepalese commercial banks' financial performance. The findings revealed a positive impact of the capital adequacy ratio on return on assets, indicating that higher capital adequacy raised the return on assets. Liquidity had a negative effect on return on equity and return on assets, suggesting that increased liquidity led to a decline in these profitability measures. Bank size had a positive impact, indicating that larger banks experienced higher returns on equity and assets.

Bhatt (2022) conducted a study on selected commercial banks in Nepal, focusing on profitability analysis from 2016/17 to 2020/21. The research employed trend analysis, descriptive analysis, correlations, and regression analysis. It found that return on assets (ROA) showed a positive correlation with bank capital and capital adequacy ratio, but a negative correlation with deposit, lending, and bank size. Return on equity (ROE) exhibited a negative association with bank capital, lending, size, and capital adequacy ratio.

Maharjan (2022) analyzed the financial performance of commercial banks in Nepal, focusing on return on assets (ROA), return on equity (ROE), and net interest margin (NIM). The study used descriptive and causal comparative research designs, finding that operating expenses, leverage, and market capitalization had positive impacts on ROA. However, liquidity had a negative impact. For ROE, operating expenses, leverage, and market capitalization showed positive impacts, while liquidity had a negative impact.

Gurung (2022) examined factors influencing commercial bank profitability in Nepal, using balanced panel data from 13 Nepali commercial banks spanning 2009–2020. Fixed-effect panel regressions revealed that the credit-deposit ratio positively influenced return on assets and net interest margin. Economic activities measured by GDP growth significantly affected profits. Non-performing assets had a weak influence on return on assets but significantly negatively affected return on equity.

Aryal (2022) analyzed the relationship between bank profitability and bank-specific variables in Nepal, based on secondary data from Nepal Rastra Bank (NRB) and commercial banks. The study highlighted that ROE and ROA are crucial indicators of bank profitability. It noted that joint venture banks exhibited higher ROA, while public banks showed higher ROE despite

higher overhead and lower asset quality. Private and joint venture banks demonstrated better asset quality and compliance with capital adequacy ratio norms.

Chaudhary (2021) investigated bank-specific factors affecting commercial bank profitability in Nepal using secondary data from six commercial banks from 2011/12 to 2017/18. The study employed multiple regression models and found a positive association between return on assets (ROA) and capital adequacy ratio (CAR), deposit to total assets ratio (DTAR), and loan to total assets ratio (LTAR). However, return on equity (ROE) showed a negative relationship with DTAR and LTAR, while CAR had a statistically significant positive impact on ROE.

Hakuduwal (2021) investigated the influence of bank-specific variables on the profitability of Nepalese commercial banks. Spanning 2012 to 2018, the study used return on assets (ROA) as the dependent variable and total assets, total deposits, total loans and advances, and total equity as independent variables. Employing the pooled least squares method and panel data analysis, the results indicated that total assets and total loans and advances had positive and significant impacts on profitability. However, total equity showed no significant impact, and deposits were found to negatively affect the profitability of Nepal's commercial banks.

Khadka (2020) examined the profitability of commercial banks in Nepal, focusing on determinants such as bank efficiency, earnings per share (EPS), return on assets (ROA), return on equity (ROE), price-to-earnings (PE) ratio, investment portfolio, and cash reserve ratio. The study used a descriptive analytical research design and analyzed six commercial banks using SPSS. It concluded that bank size, liquidity, investment portfolio, and cash reserve ratio were major determinants of financial performance in Nepal's commercial banks, highlighting the importance of efficient resource utilization.

Neupane (2020) investigated the key factors influencing the profitability of Nepalese commercial banks. Using descriptive statistics and panel data regression models (Fixed Effect Model and Random Effect Model), the study found that external factors such as concentration ratio, banking sector development, GDP growth, inflation, and exchange rate significantly influenced the profitability of Nepalese commercial banks, measured by return on assets (ROA). Internal factors like bank size, capital base, deposits, loans, off-balance sheet activities, and number of branches had no significant impact on ROA.

Subedi (2018) examined the impact of overhead costs on the profitability of Everest Bank Limited. The study aimed to analyze the total cost compared to deposits, explore the relationship between staff expenses, interest, operating expenses, and total costs, and assess the proportion of staff expenses and operating expenses relative to net profit. The findings revealed an increasing trend in staff expenses and indicated a positive correlation between staff expenses and net profit.

Shah (2016) investigated the cost control system within manufacturing companies in Nepal, focusing on Dabur Nepal Pvt. Ltd. The study aimed to analyze and evaluate cost control mechanisms, provide accurate cost analysis using various tools, identify the root causes of profit changes, and assess cost control mechanisms through methods like cost-volume-profit analysis, labor control, and standard costing. Findings revealed fluctuations in labor turnover, unfavorable material cost variances, and a rising trend in overhead costs. Correlation analysis indicated strong relationships among the selected variables.

Shah and Pradhan (2015) analyzed the microeconomic and macroeconomic factors affecting profitability at Nepal Oil Corporation. Using regression analysis, the study identified determinants of profitability. Results indicated that operating costs and interest rates negatively impacted profitability, whereas gross domestic product (GDP), inflation, and company size had positive effects. This underscores the dependence of Nepal Oil Corporation's profitability on both macroeconomic policies and microeconomic factors. The positive association between GDP and profitability aligns with economic theory, suggesting that government policies promoting employment and investment could enhance the corporation's profitability.

Table 2

Summary of Review of Literature in Nepalese Context

S.N	Author	Objectives	Methodology	Finding
1	Chand et al. (2024)	To examine the influences of institutions, globalization, and world uncertainty on bank profitability in small developing economies.	Alongside bank-specific and macroeconomic factors, the study incorporates institutional variables, globalization trends, and global uncertainty to	They find that bank-specific variables such as net interest margin, non-interest income, bank size, and capital adequacy ratio positively impact bank profitability. Conversely, non-

			analyze the factors influencing bank profitability. The fixed effect estimation method is employed for this analysis.	performing loans and credit risk have negative associations with bank profitability. Macro variables such as real GDP growth and remittances positively influence bank profitability. Institutional factors including government effectiveness and voice and accountability also show positive associations with bank profitability. Globalization is found to support bank profitability. They observe that global uncertainty and the Global Financial Crisis positively impact profitability, while the global pandemic (COVID-19) has a negative association.
2	Sah & Pradhan (2023)	To investigation into the impact of non-performing loans, operational effectiveness, and financial parameters on the profitability of Nepalese commercial banks.	The study employed regression models and correlation coefficients to assess the importance and influence of financial ratios, operational efficiency, and non-performing loans on the profitability of commercial banks in Nepal.	The results indicated that leverage negatively impacted return on assets, whereas liquidity ratios showed a positive influence on both return on equity and return on assets. Furthermore, net interest margin was found to positively affect both return on equity and return on assets.
3	Khadka & Pradhan (2023)	To explored the influence of macroeconomic and firm-specific factors on the profitability of Nepalese	Regression models were utilized to evaluate the significance and effects of company-specific and macroeconomic	The findings demonstrated that liquidity ratios had a detrimental effect on return on assets, whereas asset tangibility had a beneficial impact.

		insurance companies.	factors on the profitability of insurance firms.	Dividends per share showed positive associations with both return on equity and return on assets, and premium growth positively influenced return on assets. Conversely, inflation had a negative impact on return on assets.
4	Rai (2023)	To investigate the performance of Nepalese commercial banks after recapitalization, with return on equity and return on assets as dependent variables.	Regression models and correlation coefficients were used to analyze how recapitalization affects the financial performance of Nepalese commercial banks.	The results showed that the capital adequacy ratio positively influenced return on assets, suggesting that higher capital adequacy levels were associated with increased return on assets. Conversely, liquidity had a negative effect on both return on equity and return on assets, implying that higher liquidity levels were linked to decreased profitability in these measures. Furthermore, bank size had a positive impact, indicating that larger banks tended to achieve higher returns on equity and assets.
5	Bhatt (2022)	To conduct a profitability analysis of selected commercial banks in Nepal.	The study utilized a range of analytical tools such as trend analysis, descriptive statistics, correlations, and regression analysis. Profit was treated as the dependent variable, while independent variables included	The findings indicated that return on assets (ROA) was positively correlated with bank capital and the capital adequacy ratio, but negatively correlated with deposits, lending, and bank size. Return on equity (ROE) showed negative associations with bank capital,

			bank capital, deposits, lending activities, bank size, and the capital adequacy ratio.	lending, size, and the capital adequacy ratio.
6	Maharjan (2022)	To analyzed the financial performance of commercial banks in Nepal	Descriptive and causal-comparative research methodologies were utilized, with correlation analysis revealing that operating expenses, leverage, and market capitalization positively influenced return on equity (ROE). Conversely, liquidity was found to have a negative impact on ROE.	The findings indicated that operating expenses, leverage, and market capitalization positively affected return on assets (ROA), whereas liquidity had a negative impact.
7	Gurung (2022)	To observe factors influencing commercial bank profitability in Nepal	Balanced panel data from 13 Nepali commercial banks were analyzed using fixed-effect panel regressions.	The research revealed that the credit-deposit ratio had a positive impact on both return on assets (ROA) and net interest margin. Furthermore, GDP growth, as a measure of economic activity, significantly influenced profitability. Non-performing assets were found to have a slight negative impact on ROA but had a more significant negative effect on return on equity (ROE).
8	Aryal (2022)	To examine and analyzed the relationship of bank profitability with bank specific variables of commercial banks	The analysis utilizes secondary data published by Nepal Rastra Bank (NRB) and commercial banks. The study highlights that return	The trend analysis reveals a decline in both return on assets (ROA) and return on equity (ROE) over the sample period. Joint venture

		and to find out their impact on banks' profitability.	on equity (ROE) and return on assets (ROA) serve as primary indicators of bank profitability.	banks exhibit superior ROA compared to public banks, whereas public banks demonstrate higher ROE. Among the three types of banks, joint venture banks display the highest profitability. Public banks, despite higher overhead costs, achieve significantly higher ROE than joint venture and private banks, although they contend with lower asset quality and capital adequacy ratios.
9	Chaudhary (2021)	To analyze bank-specific factors influencing the profitability of commercial banks in Nepal.	The study utilized secondary data from six commercial banks spanning the period from 2011/12 to 2017/18. Employing a descriptive and analytical research approach, significance was tested at the 5% level. Multiple regression models were employed to examine how the capital adequacy ratio (CAR), deposit to total assets ratio (DTAR), and loan to total assets ratio (LTAR) affect both return on assets (ROA) and return on equity (ROE).	The findings indicated a positive correlation between ROA and CAR, DTAR, and LTAR. Conversely, ROE demonstrated a negative relationship with DTAR and LTAR, whereas CAR significantly positively influenced ROE.
10	Hakuduwal (2021)	To investigated the impact of bank-specific variables on the profitability	The study employed the pooled least square method and panel data, using	The results revealed that total assets and total loans and advances had positive and significant

		of Nepalese commercial banks.	return on assets as the dependent variable and total assets, total deposits, total loans and advances, and total equity as independent variables.	effects on profitability, while total equity showed no significant impact. Deposits had a negative effect on the profitability of Nepal's commercial banks.
11	Khadka (2020)	To determine profitability of commercial bank in Nepal. Initially, the paper starts with the background of the study.	A descriptive analytical research design was adopted to analyze and interpret the population data.	The study identified that the financial performance of commercial banks in Nepal is determined by factors such as bank efficiency, EPS, ROA, ROE, PE ratio, investment portfolio, and cash reserve ratio.
12	Neupane (2020)	To examine the key determinants of profitability of Nepalese commercial banks.	The study utilized descriptive statistics to outline the profitability of Nepalese banks and its determinants. Additionally, it employed a panel data regression model (Fixed Effect Model and Random Effect Model) to examine the factors influencing profitability.	The findings showed that the profitability of Nepalese commercial banks, as measured by return on assets (ROA), was significantly affected by external factors such as the concentration ratio, banking sector development, GDP growth, inflation, and exchange rate. However, internal factors like bank size, capital base, deposits, loans, off-balance sheet activities, and the number of branches did not significantly impact ROA.
13	Subedi (2018)	To investigate the impact of overhead costs on the profitability of Everest Bank Limited.	The study aimed to analyze the total cost in relation to deposits, investigate the relationship between staff	The findings showed an increasing trend in staff expenses, with correlation analysis revealing a positive relationship between

			expenses, interest, and operating expenses with the total cost, and evaluate the proportion of staff and operating expenses in relation to net profit.	staff expenses and net profit.
14	Shah (2016)	To study the cost control system in manufacturing companies in Nepal	Examine cost control mechanisms using cost-volume-profit analysis, labor control, and standard costing.	The study uncovered variations in employee turnover, adverse material cost discrepancies, and a rising pattern in overhead expenses. Correlation analysis demonstrated strong relationships between the chosen variables.
15	Shah & Pradhan (2015)	To analyze the microeconomic and macroeconomic factors of profitability in the context of Nepal Oil Corporation.	Regression analysis was used to determine the determinants of profitability.	The findings indicated that operating costs and interest rates negatively affect profitability, while gross domestic product (GDP), inflation, and firm size positively impact profitability.

2.4 Research Gap

This research based on the manufacturing sector of the listed companies in Nepal. Descriptive & explanatory research design and Pearson's correlation analysis were employed to measure the status and explore the relationship between independent and dependent variables under study. For calculation of the impact the multiple regression is used. Based on the random sampling the sample is selected and they are three manufacturing companies of the listed companies of the Nepal Stock exchange. Each companies ten year of data is taken and total of 40 observation used in this research.

Previous research is based on the banking sectors. They only used descriptive research design, they used one sample companies and five year of data. They used only mean, standard deviation for analysis of the research work. Future researches may also use more or less data,

more or less dependent and independent variable for studies. They may use other than expletory and correlation research designs for their studies. They may take whole population of the studies.

CHAPTER- III

RESEARCH METHODOLOGY

The term "research methodology" denotes the specific methods and procedures utilized to gather, select, manage, and analyze data pertinent to a particular topic. Within a research manuscript, the methodology section serves to enable readers to evaluate the overall trustworthiness and reliability of the study. This section presents detailed plans outlining the sequence of research activities undertaken by the researcher.

3.1 Research Design

This study employs descriptive and causal-comparative research methodologies to investigate factors affecting profitability. The descriptive research design is utilized to systematically gather and analyze comprehensive data on the determinants influencing profitability. Furthermore, the study adopts a descriptive and analytical approach to examine the correlations between the dependent variable and independent variables, assessing their strength and direction.

3.2 Population and Sample

The sampling process employs purposive sampling as availability of data. Likewise, financial statements from four manufacturing companies over a research period spanning ten years, from Fiscal Year (FY) 2013/14 to FY 202223, have been selected as the sample for the study.

Table 3

Sample of the Manufacturing

S.N.	Manufacturing company	Sample	Periods	Observations
1.	Bottlers Nepal (Balaju)	1	2013/14 to2022/23	10
2.	Bottlers Nepal (Terai)	1	2013/14 to2022/23	10
3.	Himalayan Distillery	1	2013/14 to2022/23	10
4.	Unilever Company	1	2013/14 to2022/23	10
	Total	4		40

Source: *NEPSE*

As of mid-July 2023, the Nepal Stock Exchange (NEPSE) comprises 18 manufacturing companies. From this pool, four specific companies have been selected for the study: Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, and Unilever Company.

3.3 Nature and Sources of Data

In this section, the researcher outlines the nature and sources of data. Data is categorized into two main types: primary data and secondary data. Primary data is collected firsthand for specific research purposes, while secondary data is sourced from existing materials. Researchers utilize a variety of sources, including published materials like scholarly articles, annual reports, newspapers, tax reports, and government policies. Unpublished sources include internal organizational documents such as meeting minutes, decision records, vouchers, and other materials related to management and board of director proceedings.

3.4 Instrument of Data Collection

The term "instrument" refers to the tools used to collect data. Secondary data in this study are obtained from manufacturing companies' websites, primarily extracted from their annual reports. Economic reports from the Nepal Rastra Bank (Banking and Financial Statistics) and other published statistical data are also consulted. Informal discussions and procedures provide supplementary information. Primary data are gathered through various methods, including questionnaires, observations, interviews, laboratory experiments, quasi-experiments, and scales.

3.5 Methods of Analysis

To attain the study's objectives, diverse financial and statistical tools/methods have been applied, including the following.

3.5.1 Financial Analysis

This entails an evaluation of the company's strengths and weaknesses. Strengths contribute positively to the organization, whereas weaknesses present challenges. Both aspects offer valuable insights for the company's future planning and enhancement. Various ratios are computed to evaluate the financial position.

Profitability

Profitability is crucial for driving innovation, diversification, and efficiency within commercial banks (Helpell, 2002). The overall stability of the economy's commercial banks hinges on their

profitability levels. Higher profitability levels bolster the ability of commercial banks to withstand risks and economic shocks. Moreover, profitability is essential for ensuring the effectiveness of commercial banks. Metrics such as Return on Equity (ROE) and Return on Assets (ROA) are commonly used to measure profitability, calculated using the formula:

$$\text{Return on Equity} = \frac{\text{Profit after tax}}{\text{Total equity}}$$

$$\text{Return on assets} = \frac{Profit\ After\ Tax}{Total\ assets}$$

Liquidity (L)

Liquidity ratios evaluate a firm's capacity to meet short-term liabilities with its liquid assets. Companies with ample liquid assets are less likely to default because they can generate cash flow, particularly during challenging circumstances. Therefore, financial institutions like banks are anticipated to demonstrate stronger performance relative to those with fewer liquid assets. The formula for liquidity ratios is:

$$\text{Liquidity} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Leverage (LEV)

Leverage functions as a risk evaluation instrument in financial analysis, exposing a company's financial, operational, and investment risks. A leverage ratio encompasses diverse financial metrics that scrutinize the ratio of capital sourced from debt (loans) and evaluates a company's ability to fulfill its financial obligations. This category of leverage ratios holds importance as companies rely on a blend of equity and debt to finance their operations. The formula for leverage ratios is:

$$\text{Leverage} = \frac{\text{Total liabilities}}{\text{Total assets}}$$

Managerial Efficiency (ME)

Effective management is crucial for the success of a thriving business, emphasizing the need to ensure that managers fulfill their roles effectively. Competent management brings various advantages, such as increased productivity, boosted morale, and the fostering of a favorable work environment. Managers are pivotal in shaping the culture of their workplaces and frequently serve as role models for their staff. The success of a company hinges significantly

on the effectiveness of its management. Managerial duties extend beyond traditional responsibilities, encompassing a range of tasks that contribute to organizational success. The key elements of effective management include:

$$\text{Managerial Efficiency} = \frac{\text{Total revenue}}{\text{Total assets}}$$

Capital Intensity (CI)

The Capital Intensity Ratio measures the degree to which a company relies on acquiring assets to sustain a particular growth rate. This ratio is critical in corporate valuation as it impacts several factors, including capital expenditures, depreciation, and net working capital (NWC). Capital expenditures refer to investments in long-term fixed assets like property, plant, and equipment (PP&E), while depreciation involves spreading out the cost of these assets over their estimated useful lives. The formula for calculating Capital Intensity is:

$$\text{Capital Intensity} = \frac{\text{Total Asset}}{\text{Total revenue}}$$

Inflation Rate

The inflation rate quantifies the percentage shift in the average price level of goods and services within a defined timeframe, typically one year. It reflects the rate at which prices are escalating and the diminishing purchasing power of currency. Elevated inflation rates diminish the currencies worth, impacting both consumer expenses and business expenditures. Conversely, low or negative inflation rates may indicate economic stagnation.

Gross Domestic Product

Gross Domestic Product (GDP) serves as a metric to assess a country's economic performance, indicating the aggregate value of all goods and services produced within a given period, typically annually or quarterly. It stands as a pivotal indicator for evaluating economic well-being, identifying trends, and facilitating comparisons across countries or over time.

3.5.2 Statistical Analysis

Descriptive Statistics

Descriptive statistics include a range of measures like mean, median, standard deviation, coefficient of variation, minimum, and maximum. The mean, commonly known as the average or the typical value in a dataset, serves as a central measure in probability distributions, alongside the median and mode, representing the expected value. Meanwhile, standard

deviation measures the extent of variation or dispersion among data points. It is derived as the square root of variance, indicating how much each data point deviates from the mean.

Correlation Analysis

The relationship has been clarified using the Pearson correlation coefficient, which ranges from -1 to +1. A correlation coefficient of exactly -1 indicates a perfect negative correlation, where the variables move in exact opposite directions. Conversely, a correlation coefficient of +1 signifies a perfect positive correlation, indicating that the variables move in the same direction together.

Multiple Regression Model

Multiple regression analysis is a statistical technique used to investigate the relationship between a single dependent (outcome) variable and multiple independent (predictor) variables. The main objective of multiple regression analysis is to predict changes in the dependent variable based on variations in the independent variables. It serves as an indicator of how well the multiple predictors collectively forecast the outcome variable. Moreover, the coefficient of determination, or R-squared, represents the proportion of variability in the dependent variable explained by the regression equation. The multiple regression equation for this study can be expressed as follows:

Model II

$ROE = \beta_0+\beta_1\times LEQ+\beta_2\times LEV+\beta_3\times ME+\beta_4\times CI +\beta_5\times AIN+\beta_6\times GDP+e$

Model II

$ROA = \beta_0+\beta_1\times LEQ+\beta_2\times LEV+\beta_3\times ME+\beta_4\times CI +\beta_5\times AIN+\beta_6\times GDP+e$

Where,

ROE = Return on Equity

ROA= Return on Assets

LEQ = Liquidity

LEV =Leverage

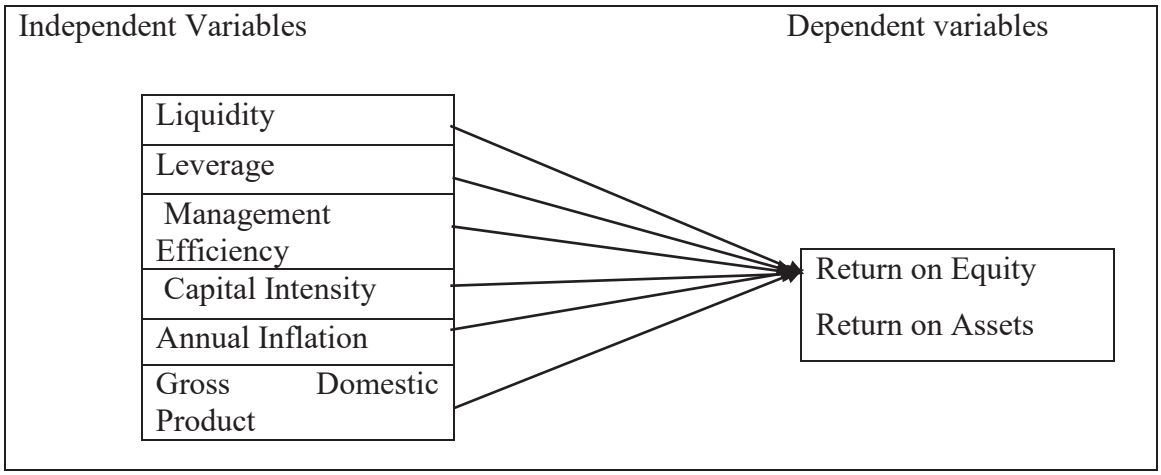
ME= Management Efficiency

CI = Capital Intensity

AIN= Annual Inflation in Nepal

GDP= Gross Domestic Product

3.6 Research Framework



Source: *Hossain (2020)*

Figure1: Research Framework

3.7 Variables Specification

The variables, abbreviations and their measurements used in the analysis are as follows:

Table 4

Variable, Abbreviation and Measurement

Variable	Abbreviation	Measurement
Return on equity	ROE	Profit after tax /Total equity
Return on Assets	ROA	Profit after tax/ Total assets
Liquidity	LEQ	Current assets/Current liabilities
Leverage	LEV	Total liabilities/Total assets
Management efficiency	ME	Total revenue/Total assets
Capital intensity	CI	Total Asset/Total revenue
Annual inflation	AIN	Annual inflation rate in Nepal
GDP of Nepal	GDP	GDP of Nepal each year

3.8 Definitions of the Variables

Independent Variables

Liquidity (L)

Liquidity ratios evaluate a company's ability to meet short-term obligations using its liquid assets. Companies with higher liquidity are less likely to face financial distress as they can generate cash flow even during challenging circumstances. Financial institutions, particularly banks, are expected to perform better when they maintain higher levels of liquid assets.

Leverage (LEV)

Leverage serves as a risk assessment tool in financial analysis, illustrating the financial, operational, and investment risks of a company. Leverage ratios assess the degree to which a company relies on debt (loans) as capital and evaluate its capacity to meet financial obligations.

Managerial Efficiency (ME)

Effective management is crucial for the success of a thriving business, emphasizing the importance of managers performing their roles adeptly. Competent management offers numerous benefits, including increased productivity, enhanced morale, and a positive work environment. Managers play a pivotal role in setting the tone for the workplace and exemplifying behaviors valued in employees. The success of a company is significantly influenced by the effectiveness of its management, which extends beyond traditional managerial duties.

Capital Intensity (CI)

The Capital Intensity Ratio indicates how much a company depends on acquiring assets to maintain a specific growth rate. Capital intensity significantly influences corporate valuation, impacting variables such as capital expenditures (Capex), depreciation, and net working capital (NWC). Capex involves acquiring long-term fixed assets (e.g., property, plant & equipment or PP&E), and depreciation allocates the expenditure across the assumed useful life of the fixed asset. The "capital intensity ratio" measures the spending required per dollar of revenue generated, providing insights into a company's capital intensity.

Annual Inflation (AI)

Inflation measures the overall rate at which prices for goods and services increase, leading to a decline in purchasing power. It represents the continuous depreciation of the purchasing power of a unit of local currency over time. Inflation can be calculated using a continuously compounded rate basis (differences in natural logarithms) or expressed as an annual percentage increase, such as through the Consumer Price Index (CPI). High inflation rates adversely affect real economic growth, thereby impacting overall economic performance negatively.

GDP Growth (GDPG)

Gross Domestic Product (GDP) represents the total market value of all goods and services produced within a country's borders over a specified period. Typically calculated annually or quarterly, GDP serves as a comprehensive measure of a country's economic output.

Governments, like that of the U.S., release both quarterly and annual GDP estimates. Given its broad scope, GDP is a critical metric for assessing economic performance.

Dependent Variable

Profitability (ROE and ROA)

Profitability is essential for commercial banks, supporting activities such as innovation, diversification, and operational efficiency. According to Helpell (2002), the stability of commercial banks in the broader economy hinges on their profitability. Higher profitability levels enhance a bank's ability to absorb risks and shocks. Profitability is also crucial for ensuring the efficiency of commercial banks. Empirical evidence suggests that the financial soundness of commercial banks is closely linked to their profitability. Market reforms in regions like sub-Saharan Africa, noted by Mills (2006), may impact profitability due to increased levels of non-performing loans.

CHAPTER-IV

RESULT AND DISCUSSION

Result and discussion of data is the very importance part of the desertion. Its shows all the numerical data into some expressed form of analysis. It is the process of organizing the data by tabulating and then placing that data in presentable form by using various tables, figures and sources.

4.1 Result

4.1.1 Descriptive Analysis

This entails an assessment of the company's strengths and weaknesses. Strengths contribute positively to the organization, while weaknesses present challenges. Both strengths and weaknesses offer valuable insights for the company's future planning and improvement. Various financial ratios are calculated to assess the company's financial position, and their average, minimum, maximum, and standard deviation are also determined.

Table 5

Descriptive Statistics Analysis *N=40*

	Minimum	Maximum	Mean	Std. Deviation
Return on equity	-11.61	54.74	27.76	16.21
Return on assets	-4.38	45.08	15.68	12.2
Liquidity	.37	10.86	1.91	2.08
Leverage	8.56	100.00	51.80	21.49
Management efficiency	.56	19.13	2.20	3.57
Capital intensity	.02	1.26	.42	.24
Annual inflation in Nepal	3.60	9.93	6.53	2.3
Gross domestic product(in USD)	22.16	40.83	30.12	6.25
Valid N (listwise)				

Source: *Appendix* -1 &2

Table 5 shows the descriptive statistics analysis ratio of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing. The minimum,

maximum, mean and standard deviation are calculated for assess the factor affecting profitability.

The minimum, maximum, mean and standard deviation of return on equity are -11.61, 54.74, 27.76 and 16.21 respectively. The minimum, maximum, mean and standard deviation of return on assets are -4.38, 45.08, 15.68 and 12.2 respectively. The minimum, maximum, mean and standard deviation of liquidity are .37, 10.86, 1.91 and 2.08 respectively. The minimum, maximum, mean and standard deviation of leverage are 8.56, 100.00, 51.80 and 21.49 respectively. The minimum, maximum, mean and standard deviation of management efficiency are 0.56, 19.13, 2.20 and 3.57 respectively. The minimum, maximum, mean and standard deviation of capital intensity are .02, 1.26, .42 and .24 respectively. The minimum, maximum, mean and standard deviation of annual inflation in Nepal are 3.60, 9.93, 6.53 and 2.3 respectively. The minimum, maximum, mean and standard deviation of Gross domestic product are 22.16, 40.83, 30.12 and 6.25 respectively. The given value of minimum maximum, mean and standard deviation of dependent and independent variables are in the nature of fluctuating.

4.1.2 Correlation Analysis

It depicts how two variables move together and measures the strength of their relationship. The association is clarified using the Pearson correlation coefficient, which ranges from -1 to +1. A correlation coefficient of -1 indicates a perfect negative correlation, where the variables move in opposite directions. Conversely, a coefficient of +1 signifies a perfect positive relationship, indicating that the variables move in the same direction.

Table 6
Correlational Analysis

	1	2	3	4	5	6	7	8
ROE (1)	1							
ROA (2)	.901**	1						
LEQ (3)	.533**	.599**	1					
LEV (4)	-.221*	-.504**	-.674**	1				
ME (5)	.119	.091	-.055	-.005	1			
CI (6)	-.156*	-.059**	.127	-.068	-.472**	1		
AIN (7)	-.222	-.073	.296	-.291	-.175	.336*	1	
GDP (8)	.161	-.034	-.344*	.293	.314*	-.316*	-.744**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: *Appendix* -1 &2

Table 6 shows the correlation analysis of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing.

The relationship between the liquidity and return on equity is positive and significant. The positive correlation value is .533 and which is significant because the significant value is 0.009 which is less than 0.01, called 1 percent level of significant. The relationship between the leverage and return on equity is negative and significant. The negative correlation value is .221 and which is significant because the significant value is 0.04 which is less than 0.05, called 5 percent level of significant. The relationship between the management efficiency and return on equity is positive but not significant. The positive correlation value is .119 and which is not significant because the significant value is 0.066 which is more than 0.05. The relationship between the capital intensity and return on equity is negative and significant. The negative correlation value is .156 and which is significant because the significant value is 0.036 which is less than 0.05, called 5 percent level of significant. The relationship between the annual inflation in Nepal and return on equity is negative and not significant. The negative correlation value is .222 and which is not significant because the significant value is 0.169 which is more than 0.05. The relationship between the gross domestic product and return on equity is positive and not significant. The positive correlation value is .161 and which is not significant because the significant value is 0.322 which is more than 0.05.

The relationship between the liquidity and return on assets is positive and significant. The positive correlation value is .599 and which is significant because the significant value is 0.001 which is less than 0.01, called 1 percent level of significant. The relationship between the leverage and return on assets is negative and significant. The negative correlation value is .504 and which is significant because the significant value is 0.001 which is less than 0.05, called 1 percent level of significant. The relationship between the management efficiency and return on assets is positive but not significant. The positive correlation value is .091 and which is not significant because the significant value is 0.575 which is more than 0.05. The relationship between the capital intensity and return on assets is negative and significant. The negative correlation value is .059 and which is significant because the significant value is 0.009 which

is less than 0.01, called 1 percent level of significant. The relationship between the annual inflation in Nepal and return on assets is negative and not significant. The negative correlation value is .073 and which is not significant because the significant value is 0.053 which is more than 0.05. The relationship between the gross domestic product and return on assets is negative and not significant. The negative correlation value is .034 and which is not significant because the significant value is 0.837 which is more than 0.05.

4.1.3 Multiple Regression Analysis

Multiple regression analysis aims to predict changes in the dependent variable by examining variations in the independent variables. Its interpretive focus lies in assessing the predictive effectiveness of multiple regressions. Additionally, the coefficient of determination indicates the proportion of variability in the dependent variable that can be explained by the regression equation.

Multiple regression analysis based on model I

Model one is based on the return on equity as dependent variable and Gross Domestic Product (in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal are independent variables. Here model summary, ANOVA and coefficient of variation are calculated.

Table 7

Model summary Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816[a]	.773	.723	16.02

a. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

Source: Appendix-2

Table 7 shows the model summary of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing. The adjusted R square here is the 0.723 which represent the 72.3 percent impact of the collective of independent variables gross domestic product, leverage, capital intensity, management efficiency, liquidity and annual

inflation in Nepal to the return on equity. The remaining 27.7 percent impact is made by the other variables which are not included in this study.

Table 8

ANOAVA of the Study

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1775.446	6	295.908	1.152	.000[b]
	Residual	8475.866	33	256.844		
	Total	10251.311	39			

a. Dependent Variable: Return On Equity

b. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

Source: Appendix-2

Table 8 shows the model summary of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing. The significant value is 0.000 which represent the impact of independent variables of regression are impacted to the dependent variable significantly.

Table 9

Coefficient of Regression

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	39.941	30.938		1.291	.206
	Liquidity	1.802	1.705	.232	2.057	.008
	Leverage	-.123	.164	-.163	-2.752	.007
	Management Efficiency	.138	.846	.030	3.163	.001
	Capital Intensity	-5.046	12.638	-.075	-2.399	.002
	Annual Inflation in Nepal	-1.847	1.722	-.263	-4.073	.001
	Gross Domestic Product(in USD)	.154	.654	.059	.236	.815

a. Dependent Variable: Return On Equity

Source: *Appendix -2*

Table 9 shows the coefficient analysis of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing. The significant value is 0.000 which represent the impact of independent variables of regression are impacted to the dependent variable significantly. Here beta standard error and significant is calculate.

The impact of liquidity to the return on equity is positive and the impact is significant. The positive impact shows by beta value positive 1.802 which represent 1 percent change in the liquidity than 4.802 percent change in to the return on equity. The standard error value is higher so the accuracy is low. The significant impact shows by the significant value 0.008 which is less than 0.05 so it is called significant.

The impact of leverage to the return on equity is negative and the impact is significant. The negative impact shows by beta value negative 0.123 which represent 1 percent change in the leverage than negative 0.123 percent change in to the return on equity. The standard error value is low so the accuracy is higher. The significant impact shows by the significant value 0.007 which is less than 0.05 so it is called significant.

The impact of management efficiency to the return on equity is positive and the impact is significant. The positive impact shows by beta value positive 0.138 which represent 1 percent change in the management efficiency than .138 percent change in to the return on equity. The standard error value is higher so the accuracy is low. The significant impact shows by the significant value 0.001which is less than 0.05 so it is called significant.

The impact of capital intensity to the return on equity is negative and the impact is significant. The negative impact shows by beta value negative 5.046 which represent 1 percent change in the capital intensity than negative 5.046 percent change in to the return on equity. The standard error value is high so the accuracy is low. The significant impact shows by the significant value 0.001 which is less than 0.05 so it is called significant.

The impact of annual inflation rate to the return on equity is negative and the impact is significant. The negative impact shows by beta value negative 1.847 which represent 1 percent change in the annual inflation rate than negative 1.847 percent change in to the return on equity.

The standard error value is low so the accuracy is higher. The significant impact shows by the significant value 0.001 which is less than 0.05 so it is called significant.

The impact of gross domestic product to the return on equity is positive and the impact is not significant. The positive impact shows by beta value positive 0.154 which represent 1 percent change in the gross domestic product than positive 0.154 percent change in to the return on equity. The standard error value is low so the accuracy is higher. The significant impact shows by the significant value 0. 815 which is more than 0.05 so it is called not significant.

Regression model based on model II

Model one is based on the return on assets as dependent variable and Gross Domestic Product (in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal are independent variables. Here model summary, ANOVA and coefficient of variation are calculated.

Table 10

Model summary Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913[a]	.875	.762	10.55

a. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

Source: Appendix-2

Table 10 shows the model summary of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing. The adjusted R square here is the 0.762 which represent the 75.2 percent impact of the collective of independent variables gross domestic product, leverage, capital intensity, management efficiency, liquidity and annual inflation in Nepal to the return on assets. The remaining 24.8 percent impact is made by the other variables which are not included in this study.

Table 11

ANOAVA of the Study

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2206.634	6	367.772	3.304	.000[b]
	Residual	3673.046	33	111.304		
	Total	5879.679	39			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

Source: Appendix-2

Table 11 shows the model summary of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of observation are 40; 10 observation of each of manufacturing. The significant value is 0.000 which represent the impact of independent variables of regression are impacted to the dependent variable significantly.

Table 12

Coefficient Regression

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	37.083	20.366		1.821	.078
	Liquidity	1.989	1.123	.338	2.772	.006
	Leverage	-.197	.108	-.345	-2.831	.076
	Management Efficiency	.250	.557	.073	3.449	.001
	Capital Intensity	-.441	8.319	-.009	-4.053	.000
	Annual Inflation in Nepal	-1.669	1.133	-.314	-5.473	.000
	Gross Domestic Product(in USD)	-.148	.430	-.075	-.343	.734

a. Dependent Variable: Return on Assets

Source: *Appendix -2*

Table 12 shows the coefficient analysis of the four sample manufacturing companies in ten years of each. The sample manufacturing are Bottlers Nepal (Balaju), Bottlers Nepal (Terai), Himalayan Distillery, Unilever Company and Himalayan Distillery. The total number of

observation are 40; 10 observation of each of manufacturing. The significant value is 0.000 which represent the impact of independent variables of regression are impacted to the dependent variable significantly. Here beta, standard error and significant is calculated.

The impact of liquidity to the return on assets is positive and the impact is significant. The positive impact shows by beta value positive 1.989 which represent 1 percent change in the liquidity than 1.989 percent change in to the return on assets. The standard error value is higher so the accuracy is low. The significant impact shows by the significant value 0.006 which is less than 0.05 so it is called significant.

The impact of leverage to the return on assets is negative and the impact is not significant. The negative impact shows by beta value negative 0.197 which represent 1 percent change in the leverage than negative 0.197 percent change in to the return on assets. The standard error value is low so the accuracy is higher. The significant impact shows by the significant value 0.076 which is more than 0.05 so it is called not significant.

The impact of management efficiency to the return on assets is positive and the impact is significant. The positive impact shows by beta value positive 0.25 which represent 1 percent change in the management efficiency than .25 percent change in to the return on assets. The standard error value is higher so the accuracy is low. The significant impact shows by the significant value 0.001which is less than 0.05 so it is called significant.

The impact of capital intensity to the return on assets is negative and the impact is significant. The negative impact shows by beta value negative .441 which represent 1 percent change in the capital intensity than negative .441 percent change in to the return on assets. The standard error value is high so the accuracy is low. The significant impact shows by the significant value 0.000 which is less than 0.05 so it is called significant.

The impact of annual inflation rate to the return on assets is negative and the impact is significant. The negative impact shows by beta value negative 1.669 which represent 1 percent change in the annual inflation rate than negative 1.847 percent change in to the return on assets. The standard error value is low so the accuracy is higher. The significant impact shows by the significant value 0.000 which is less than 0.05 so it is called significant.

The impact of gross domestic product to the return on assets is negative and the impact is not significant. The negative impact shows by beta value negative 0.148 which represent 1 percent change in the gross domestic product than negative 0.148 percent change in to the return on assets. The standard error value is low so the accuracy is higher. The significant impact shows by the significant value 0. 734 which is more than 0.05 so it is called not significant.

4.2 Discussion

The first objective of research is to assess the factors affecting profitability of Nepalese manufacturing companies. It is found that the factors affecting profitability are liquidity, leverage, management efficiency, capital intensity, annual inflation in Nepal and gross domestic product. The result is consistent with the result of Bhatt, (2022). The result is found by the empirical review and analysis of the descriptive statistics. The result is consistent with the result of Chaudhary, (2021).

The second objective of research is to analyze the relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal. It is found that the relationship between the liquidity and return on assets is positive and significant. The result is consistent with the result of Gurung, (2022). The relationship between the leverage and return on assets is negative and significant. The result is consistent with the result of Maharjan, (2022). The relationship between the management efficiency and return on assets is positive but not significant. The result is consistent with the result of Aryal, (2022). The relationship between the capital intensity and return on assets is negative and significant. The result is consistent with the result of Bhatt, (2022). The relationship between the annual inflation in Nepal and return on assets is negative and not significant. The result is consistent with the result of Maharjan, (2022). The relationship between the gross domestic product and return on assets is positive and not significant. The result is consistent with the result of Rai, (2023). The relationship between the liquidity and return on assets is positive and significant. The result is consistent with the result of Khadka and Pradhan, (2023). The relationship between the leverage and return on assets is negative and significant. The result is consistent with the result of Sala-Ríos, (2023). The relationship between the management efficiency and return on assets is positive but not significant. The result is consistent with the result of Aldboush et al., (2023). The relationship between the

capital intensity and return on assets is negative and significant. The result is consistent with the result of Kusz and colleagues, (2022). The relationship between the annual inflation in Nepal and return on assets is negative and not significant. The result is consistent with the result of Soni, (2022). The relationship between the gross domestic product and return on assets is negative and not significant. The result is consistent with the result of Kumar and colleagues, (2022).

The third objective of study is to examine the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal. It is found that the impact of liquidity to the return on equity is positive and the impact is significant. The result is consistent with the result of Susilo et al., (2020). The impact of leverage to the return on equity is negative and the impact is significant. The result is consistent with the result of Le et al., (2020). The impact of management efficiency to the return on equity is positive and the impact is significant. The result is consistent with the result of Nanda and Panda, (2018). The impact of capital intensity to the return on equity is negative and the impact is significant. The result is consistent with the result of Nguyen and Nguyen, (2020). The impact of annual inflation rate to the return on equity is negative and the impact is significant. The result is consistent with the result of Rimadhani and Siagian, (2024). The impact of gross domestic product to the return on equity is positive and the impact is not significant. The result is consistent with the result of Mirović et al., (2024). The impact of liquidity to the return on assets is positive and the impact is significant. The result is consistent with the result of Bhatt, (2022). The impact of leverage to the return on assets is negative and the impact is not significant. The result is consistent with the result of Oyelami et al., (2024). The impact of management efficiency to the return on assets is positive and the impact is significant. The result is consistent with the result of Khadka and Pradhan, (2023). The impact of capital intensity to the return on assets is negative and the impact is significant. The result is consistent with the result of Rai, (2023). The impact of annual inflation rate to the return on assets is negative and the impact is significant. The result is consistent with the result of Maharjan, (2022). The impact of gross domestic product to the return on assets is negative and the impact is not significant. The result is consistent with the result of Bhatt, (2022).

CHAPTER- V

SUMMARY AND CONCLUSION

This chapter included the three part; first part explain the summary of the research. The second part of the research is conclusion where researcher included the objective based finding and their short conclusion.

5.1 Summary

The effective utilization of resources and revenue generation are pivotal factors determining a company's profitability. Profitability, a crucial metric in corporate performance evaluation, enhances investment returns and is of significant interest in corporate finance literature, particularly in manufacturing companies. These firms not only implement cost-saving measures but also play a crucial role in efficiently channeling funds. The problem statement aims to define and understand the issue by providing insights into the current environment, the problem's occurrence, and its impacts on stakeholders, finances, and operational aspects. Profitability is paramount for profit-oriented organizations, whose primary objective is to generate profits. However, many organizations are currently experiencing declining profitability due to various reasons. The objective is to either maintain or improve profitability rather than face further decline. This issue is particularly relevant in the manufacturing sector, where profitability is closely intertwined. Based on this background, the research focuses on "Determinants of Profitability in Nepalese Manufacturing Companies."

The problem of the research are explain by the research question and they are; what are the factors affecting profitability of Nepalese manufacturing companies? Is there any relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal? What is the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal? The problem are solve through the objectives they are to assess the factors affecting profitability of Nepalese manufacturing companies. to analyze the relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI),

annual inflation (AI) and GDP growth (GDPG) to the return on Equity(ROE) and return on assets of the manufacturing companies in Nepal and to examine the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity(ROE) and return on assets of the manufacturing companies in Nepal. The researcher done literature review of the research is mainly based on articles and thesis of previous scholars. The descriptive and casual relation research design is used. The population is all the manufacturing companies of Nepal and three four sample manufacturing are taken for research randomly. Each companies has a 10 observation and in total 40 observations and secondary data SPSS and Excel are the tools of data analysis. The finding is that through descriptive statistics and empirical review is the factors affecting profitability are liquidity, leverage, management efficiency, capital intensity, annual inflation in Nepal and gross domestic product. The liquidity, leverage and capital intensity relationship to the return on equity is significant. The managerial efficiency, annual inflation rate and gross domestic product have not significant relationship with return on equity. The liquidity, leverage and capital intensity have significant relationship to the return on assets. The managerial efficiency, annual inflation rate and gross domestic product have not significant relationship with return on assets. The impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on equity and gross domestic product has not significant impact to the return on equity. The impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on assets and gross domestic product has not significant impact to the return on assets.

5.2 Conclusion

The first objectives research is to assess the factors affecting profitability of Nepalese manufacturing companies. It is found that through descriptive statistics and empirical review is the factors affecting profitability are liquidity, leverage, management efficiency, capital intensity, annual inflation in Nepal and gross domestic product. In conclusion the factors affecting profitability in manufacturing companies are liquidity, leverage, management efficiency, capital intensity, annual inflation in Nepal and gross domestic product.

The second objective of research is to analyze the relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP

growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal. It is found that the liquidity, leverage and capital intensity relationship to the return on equity is significant. The managerial efficiency, annual inflation rate and gross domestic product have not significant relationship with return on equity. The liquidity, leverage and capital intensity have significant relationship to the return on assets. The managerial efficiency, annual inflation rate and gross domestic product have not significant relationship with return on assets. In conclusion the liquidity, leverage and capital intensity relationship to the return on equity is significant and also the liquidity, leverage and capital intensity have significant relationship to the return on assets.

The third objective of research is to examine the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the return on equity (ROE) and return on assets of the manufacturing companies in Nepal. It is found that the impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on equity. The impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on assets. In conclusion the impact of Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on equity and also Liquidity, Leverage, Management Efficiency, Capital Intensity and Annual Inflation have significant impact to the return on assets.

5.3 Implications

Profitability is a crucial factor for profit-oriented organizations, whose primary aim is to generate income. Currently, there is a trend of declining profitability across organizations for various reasons. Ideally, companies should strive to either increase or maintain stable profits rather than experiencing declines. This situation is particularly pertinent to manufacturing companies, where profitability plays a critical role.

Understanding the determinants of profitability becomes essential as it directly aligns with the fundamental goal of profit-making entities—to enhance their financial returns. Consequently, stakeholders in these companies are keenly interested in comprehending the factors that influence profitability. Management teams are dedicated to safeguarding against declines in profitability and continuously improving financial performance.

Given the current economic environment, this study on profitability determinants holds significant relevance, especially within the manufacturing sector in Nepal, where there is a strong push towards achieving greater profitability.

The research is useful to the following:

- To the company's management to reduce the negative effect of factors to the profitability.
- Management of the companies to understand the factors which have positive and negative effect to the profitability.
- To the other than manufacturing companies which have a profit motives they may use this research for their knowledge for better profit making.
- This research is helpful to the learner, academic student and scholar to their reference on the same nature of study.

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APPENDIXES

Unilever Nepal Limited

In million

Year (ULC)	CA	TA	E	CL	TL	Revenue	Profit	Operating expenses
2023	4797	6495	4360	1922	2134	8480	1834	589
2022	4190	5804	3652	1952	2152	7333	1541	523
2021	3672	4753	2605	2005	2148	5730	860	38
2020	2513	3723	1973	1736	1750	5547	358	33
2019	2871	3857	2324	1532	3857	5754	1065	41
2018	2505	3162	1903	1258	3162	4868	999	36
2017	2740	3321	2074	1234	1247	4442	965	34
2016	2556	3046	2048	986	997	3946	1121	24
2015	2546	3046	2048	876	978	3856	785	36
2014	2356	2945	1998	956	915	3756	856	56

Unilever Nepal Limited- Ratio Calculated.

Year (ULC)	ROE	ROA	LEQ	LEV	ME	CI
2023	42.06422	28.23711	2.495838	32.85604	1.30562	0.565684
2022	42.19606	26.55065	2.146516	37.07788	1.263439	0.57139
2021	33.01344	18.09384	1.831421	45.19251	1.205554	0.640838
2020	18.14496	9.615901	1.447581	47.0051	1.489927	0.453038
2019	45.82616	27.61213	1.874021	100	1.491833	0.498957
2018	52.49606	31.59393	1.991256	100	1.539532	0.514585
2017	46.52845	29.05751	2.220421	37.54893	1.337549	0.616839
2016	54.73633	36.80236	2.592292	32.73145	1.295469	0.647745
2015	38.33008	25.7715	2.906393	32.10768	1.265923	0.66027
2014	42.84284	29.06621	2.464435	31.06961	1.275382	0.627263

Bottler Nepal (Terai)

In million

Year (BNT)	CA	TA	E	CL	TL	Revenue	Profit	Operating expenses
2023	3520	9240	3908	4568	5332	9320	638	180
2022	2634	8328	3316	3673	5011	9114	625	170
2021	2197	8038	2691	2600	5346	6164	423	153
2020	2104	8323	2266	3888	6057	6796	5	151
2019	1619	7746	2340	3979	5405	8034	453	161
2018	1299	4249	1987	1888	2259	5658	741	158
2017	1352	4203	1266	2587	2934	4574	482	154
2016	1133	3749	860	2244	2888	3525	276	118
2015	762	3426	623	2039	2799	3004	186	150
2014	776	3356	602	2001	2745	2900	175	135

Bottler Nepal (Terai)

Year (BNT)	ROE	ROA	LEQ	LEV	ME	CI
2023	16.32549	6.904762	0.770578	57.70563	1.008658	0.377682
2022	18.84801	7.504803	0.717125	60.17051	1.09438	0.289006
2021	15.71906	5.262503	0.845	66.50908	0.766857	0.356424
2020	0.220653	0.060074	0.541152	72.77424	0.816533	0.309594
2019	19.35897	5.84818	0.406886	69.77795	1.03718	0.201519
2018	37.2924	17.4394	0.68803	53.16545	1.331607	0.229586
2017	38.07267	11.468	0.522613	69.80728	1.08827	0.295584
2016	32.09302	7.361963	0.504902	77.03388	0.940251	0.321418
2015	29.85554	5.429072	0.373713	81.69877	0.876824	0.253662
2014	29.06977	5.214541	0.387806	81.7938	0.864124	0.267586

Bottler Nepal (Balaju)

In million

Year (BNB)	CA	TA	E	CL	TL	Revenue	Profit	Operating expenses
2023	4151	5640	2389	2722	3251	3299	405	313
2022	2396	4005	1980	1447	2024	3380	197	283
2021	2028	3771	1757	1429	2012	2098	61	223
2020	1823	3628	1718	1377	1906	3220	-16	248
2019	1671	3413	1779	1187	1633	5432	357	277
2018	1207	2772	1517	889	1252	3093	307	233
2017	1329	2751	1213	1184	1537	2742	244	218
2016	846	2142	1012	826	1127	2523	181	252
2015	1113	2262	853	1153	1406	2138	-99	235
2014	1056	2163	796	1356	1569	2156	170	212

Bottler Nepal (Balaju)

Year (BNB)	ROE	ROA	LEQ	LEV	ME	CI
2023	16.9527	7.180851	1.524982	57.64184	0.584929	1.25826
2022	9.949495	4.918851	1.65584	50.53683	0.843945	0.708876
2021	3.471827	1.617608	1.419174	53.35455	0.556351	0.966635
2020	-0.93132	-0.44101	1.323893	52.53583	0.887541	0.566149
2019	20.06745	10.46001	1.407751	47.84647	1.591562	0.307622
2018	20.23731	11.07504	1.357705	45.16595	1.115801	0.390236
2017	20.11542	8.869502	1.122466	55.87059	0.996728	0.484683
2016	17.88538	8.450047	1.024213	52.61438	1.177871	0.335315
2015	-11.6061	-4.37666	0.965308	62.15738	0.945181	0.52058
2014	21.35678	7.859454	0.778761	72.53814	0.996764	0.489796

Himalayan Distillery

In million

Year (HDL)	CA	TA	E	CL	TL	Revenue	Profit	Operating expenses
2023	3063	3669	3354	282	314	5654	660	303
2022	2561	3192	2844	306	347	7583	1056	388
2021	1702	2309	2004	269	294	6507	1041	378
2020	1397	1995	1252	711	742	4767	466	307
2019	745	1403	988	373	400	6388	537	355
2018	552	1200	796	367	404	5236	294	236
2017	360	1017	580	177	437	1347	48	100
2016	356	959	612	196	345	1654	248	103
2015	49	102	39	64	72	1523	8	10
2014	32	80	39	44	44	1530	13	9

Himalayan Distillery

Year (HDL)	ROE	ROA	LEQ	LEV	ME	CI
2023	19.678	17.98855	10.8617	8.55819	1.541019	0.54174
2022	37.1308	33.08271	8.369281	10.87093	2.375627	0.337729
2021	51.94611	45.08445	6.327138	12.73278	2.818103	0.261564
2020	37.22045	23.3584	1.964838	37.19298	2.389474	0.293056
2019	54.35223	38.27512	1.997319	28.51033	4.5531	0.116625
2018	36.93467	24.5	1.504087	33.66667	4.363333	0.105424
2017	8.275862	4.719764	2.033898	42.96952	1.324484	0.267261
2016	40.52288	25.86027	1.816327	35.97497	1.724713	0.215236
2015	20.51282	7.843137	0.765625	70.58824	14.93137	0.032173
2014	33.33333	16.25	0.727273	55	19.125	0.020915

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return On Equity	40	-11.61	54.74	27.7610	16.21278
Return on Assets	40	-4.38	45.08	15.6868	12.27848
Liquidity	40	.37	10.86	1.9169	2.08629
Leverage	40	8.56	100.00	51.8088	21.49196
Management Efficiency	40	.56	19.13	2.2034	3.57713
Capital Intensity	40	.02	1.26	.4230	.24127
Annual Inflation in Nepal	40	3.60	9.93	6.5320	2.30889
Gross Domestic Product(in USD)	40	22.16	40.83	30.1210	6.25257
Valid N (listwise)	40				

Correlations

		Return On Equity	Return on Assets	Liquidity	Leverage	Management Efficiency	Capital Intensity	Annual Inflation in Nepal	Gross Domestic Product(in USD)
Return On Equity	Pearson Correlation	1	.901**	.233	-.221	.119	-.156	-.222	.161
	Sig. (2-tailed)		.000	.149	.171	.466	.336	.169	.322
	N	40	40	40	40	40	40	40	40
Return on Assets	Pearson Correlation	.901**	1	.499**	-.504**	.091	-.059	-.073	-.034
	Sig. (2-tailed)	.000		.001	.001	.575	.719	.653	.837
	N	40	40	40	40	40	40	40	40
Liquidity	Pearson Correlation	.533**	.599**	1	-.674**	-.055	.127	.296	-.344*
	Sig. (2-tailed)	.009	.001		.000	.738	.436	.064	.030
	N	40	40	40	40	40	40	40	40
Leverage	Pearson Correlation	-.221*	-.504**	-.674**	1	-.005	-.068	-.291	.293
	Sig. (2-tailed)	.04	.001	.000		.976	.677	.069	.066
	N	40	40	40	40	40	40	40	40
Management Efficiency	Pearson Correlation	.119	.091	-.055	-.005	1	-.472**	-.175	.314*
	Sig. (2-tailed)	.066	.575	.738	.976		.002	.281	.049
	N	40	40	40	40	40	40	40	40
Capital Intensity	Pearson Correlation	-.156*	-.059**	.127	-.068	-.472**	1	.336*	-.316*
	Sig. (2-tailed)	.036	.009	.436	.677	.002		.034	.047
	N	40	40	40	40	40	40	40	40
Annual Inflation in Nepal	Pearson Correlation	-.222	-.073	.296	-.291	-.175	.336*	1	-.744**
	Sig. (2-tailed)	.169	.053	.064	.069	.281	.034		.000
	N	40	40	40	40	40	40	40	40
Gross Domestic	Pearson Correlation	.161	-.034	-.344*	.293	.314*	-.316*	-.744**	1
	Sig. (2-tailed)	.322	.837	.030	.066	.049	.047	.000	

Product(in USD)	N	40	40	40	40	40	40	40	40

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816[a]	.773	.723	16.02637

a. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1775.446	6	295.908	1.152	.000[b]
	Residual	8475.866	33	256.844		
	Total	10251.311	39			

a. Dependent Variable: Return On Equity

b. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	39.941	30.938		1.291	.206
	Liquidity	1.802	1.705	.232	2.057	.008
	Leverage	-.123	.164	-.163	-2.752	.007
	Management Efficiency	.138	.846	.030	3.163	.001
	Capital Intensity	-5.046	12.638	-.075	-2.399	.002
	Annual Inflation in Nepal	-1.847	1.722	-.263	-4.073	.001
	Gross Domestic Product(in USD)	.154	.654	.059	.236	.815

a. Dependent Variable: Return On Equity

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913[a]	.875	.762	10.55009

a. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2206.634	6	367.772	3.304	.000[b]
	Residual	3673.046	33	111.304		
	Total	5879.679	39			

a. Dependent Variable: Return on Assets

b. Predictors: (Constant), Gross Domestic Product(in USD), Leverage, Capital Intensity, Management Efficiency, Liquidity, Annual Inflation in Nepal

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	37.083	20.366		1.821	.078
	Liquidity	1.989	1.123	.338	2.772	.006
	Leverage	-.197	.108	-.345	-2.831	.076
	Management Efficiency	.250	.557	.073	3.449	.001
	Capital Intensity	-.441	8.319	-.009	-4.053	.000
	Annual Inflation in Nepal	-1.669	1.133	-.314	-5.473	.000
	Gross Domestic Product(in USD)	-.148	.430	-.075	-.343	.734

a. Dependent Variable: Return on Assets

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	10	11.7499	11.28563
Return on Assets	10	5.5614	5.08099
Liquidity	10	1.2580	.27500
Leverage	10	55.0262	7.80895
Management Efficiency	10	.9697	.29720
Capital Intensity	10	.6028	.30036
Annual Inflation in Nepal	10	6.5320	2.40317
Gross Domestic Product(in USD)	10	30.1210	6.50788
Valid N (listwise)	10		

a. Manufacturing Companies Name = Bottlers Nepal (balaju).

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	10	23.6856	11.73900
Return on Assets	10	7.2493	4.55682
Liquidity	10	.5758	.16890
Leverage	10	69.0437	9.81737
Management Efficiency	10	.9825	.16676

Capital Intensity	10	.2902	.05457
Annual Inflation in Nepal	10	6.5320	2.40317
Gross Domestic Product(in USD)	10	30.1210	6.50788
Valid N (listwise)	10		

a. Manufacturing Companies Name = Bottlers Nepal (terai).

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	10	33.9907	14.36357
Return on Assets	10	23.6962	12.74973
Liquidity	10	3.6367	3.56616
Leverage	10	33.6065	19.82557
Management Efficiency	10	5.5146	6.24294
Capital Intensity	10	.2192	.15826
Annual Inflation in Nepal	10	6.5320	2.40317
Gross Domestic Product(in USD)	10	30.1210	6.50788
Valid N (listwise)	10		

a. Manufacturing Companies Name = Himalayan Distillery

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	10	41.6179	10.38220
Return on Assets	10	26.2401	7.49119
Liquidity	10	2.1970	.43016
Leverage	10	49.5589	27.12678
Management Efficiency	10	1.3470	.11625
Capital Intensity	10	.5797	.07116
Annual Inflation in Nepal	10	6.5320	2.40317
Gross Domestic Product(in USD)	10	30.1210	6.50788
Valid N (listwise)	10		

a. Manufacturing Companies Name = Unilever Company

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	23.7551	12.29252
Return on Assets	4	15.0778	10.17841
Liquidity	4	3.9133	4.68580
Leverage	4	39.1904	23.53526
Management Efficiency	4	1.1101	.41232
Capital Intensity	4	.6858	.39065
Annual Inflation in Nepal	4	9.8900	.00000
Gross Domestic Product(in USD)	4	22.1600	.00000
Valid N (listwise)	4		

a. year = 2023.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	27.0311	15.17371
Return on Assets	4	18.0143	13.92679
Liquidity	4	3.2222	3.48226
Leverage	4	39.6640	21.40455
Management Efficiency	4	1.3943	.67650
Capital Intensity	4	.4768	.19783
Annual Inflation in Nepal	4	9.0400	.00000
Gross Domestic Product(in USD)	4	22.7300	.00000
Valid N (listwise)	4		

a. year = 2022.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	26.0376	21.09976
Return on Assets	4	17.5146	19.69146
Liquidity	4	2.6057	2.51373
Leverage	4	44.4472	22.89416
Management Efficiency	4	1.3367	1.02395
Capital Intensity	4	.5564	.31746
Annual Inflation in Nepal	4	7.2100	.00000
Gross Domestic Product(in USD)	4	24.3600	.00000
Valid N (listwise)	4		

a. year = 2021.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	13.6637	17.96972
Return on Assets	4	8.1483	11.14595
Liquidity	4	1.3194	.58842
Leverage	4	52.3770	15.00538

Management Efficiency	4	1.3959	.72804
Capital Intensity	4	.4055	.12898
Annual Inflation in Nepal	4	9.9300	.00000
Gross Domestic Product(in USD)	4	24.5200	.00000
Valid N (listwise)	4		

a. year = 2020.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	34.9012	17.88201
Return on Assets	4	20.5489	15.07763
Liquidity	4	1.4215	.72249
Leverage	4	61.5337	30.68934
Management Efficiency	4	2.1684	1.60799
Capital Intensity	4	.2812	.16487
Annual Inflation in Nepal	4	4.4500	.00000
Gross Domestic Product(in USD)	4	28.9700	.00000
Valid N (listwise)	4		

a. year = 2019.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	36.7401	13.17745
Return on Assets	4	21.1521	8.86137
Liquidity	4	1.3853	.53797
Leverage	4	57.9995	29.12157
Management Efficiency	4	2.0876	1.52701
Capital Intensity	4	.3100	.17945
Annual Inflation in Nepal	4	4.1500	.00000
Gross Domestic Product(in USD)	4	33.1100	.00000
Valid N (listwise)	4		

a. year = 2018.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	28.2481	17.27931
Return on Assets	4	13.5287	10.71908
Liquidity	4	1.4748	.79568
Leverage	4	51.5491	14.39503
Management Efficiency	4	1.1868	.17080
Capital Intensity	4	.4161	.16500
Annual Inflation in Nepal	4	4.6400	.00000
Gross Domestic Product(in USD)	4	34.1900	.00000
Valid N (listwise)	4		

a. year = 2017.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	36.3094	15.43295
Return on Assets	4	19.6187	14.25017
Liquidity	4	1.4844	.91447
Leverage	4	49.5887	20.26403
Management Efficiency	4	1.2846	.32852
Capital Intensity	4	.3799	.18643
Annual Inflation in Nepal	4	6.1500	.00000
Gross Domestic Product(in USD)	4	33.4200	.00000
Valid N (listwise)	4		

a. year = 2016.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	19.2731	21.83436
Return on Assets	4	8.6668	12.56800
Liquidity	4	1.2528	1.12948
Leverage	4	61.6380	21.25128

Management Efficiency	4	4.5048	6.95310
Capital Intensity	4	.3667	.27961
Annual Inflation in Nepal	4	3.6000	.00000
Gross Domestic Product(in USD)	4	36.9200	.00000
Valid N (listwise)	4		

a. year = 2015.00

Descriptive Statistics[a]

	N	Mean	Std. Deviation
Return On Equity	4	31.6507	8.95770
Return on Assets	4	14.5976	10.73181
Liquidity	4	1.0896	.93284
Leverage	4	60.1004	22.31667
Management Efficiency	4	5.5653	9.04141
Capital Intensity	4	.3514	.26552
Annual Inflation in Nepal	4	6.2600	.00000
Gross Domestic Product(in USD)	4	40.8300	.00000
Valid N (listwise)	4		

a. year = 2014.00

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ABSTRACT The objectives of research are; to assess the factors affecting profitability of Nepalese manufacturing companies. to analyze the relationship between liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the

return on Equity (ROE) **and return on assets of** the manufacturing **companies in**

Nepal and to examine the impact of Liquidity (L), leverage (LEV), managerial efficiency (ME), capital intensity (CI), annual inflation (AI) and GDP growth (GDPG) to the

return on equity (ROE) **and return on assets of** the manufacturing **companies in** Nepal. **The**

researcher done literature review of the research is mainly based on articles and thesis of previous scholars.

The descriptive and casual relation **research design is used. The** population is all **the** manufacturing companies **of**

Nepal and three four sample manufacturing are taken for research randomly. Each companies has a 10 observation and in total 40 observations and secondary data