Factors Affecting Profitability in Nepalese Development Banks

A dissertations 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 "**Factors Affecting Profitability in Nepalese Development Banks**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has 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 declare that all information sources and literature used are cited in the reference section of the dissertation.

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Bikram Sharma

REPORT OF RESEARCH COMMITTEE

Mr. Bikram Sharma has defended research proposal entitled "**Factors Affecting Profitability in Nepalese Development Banks**", 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 Tri Ratna Manandhar and submit the thesis for evaluation and viva voce examination.

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Dissertation Submitted Date:

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Factors Affecting Profitability in Nepalese Development Banks**" presented by Bikram Sharma a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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This study entitled "**Factors Affecting Profitability in Nepalese Development Banks**" has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the profitability of development banks in Nepal.

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Bikram Sharma

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

AD	:	Anno Domini
ATM	:	Automated Tailor Machine
C&BB	:	Cash & Bank Balance
CA	:	Current Assets
CV	:	Coefficient of Variation
GBBL	:	Garima Bikas Bank Limited
JBBL	:	Jyoti Bikas Bank Limited
L & A	:	Loan and Advance
LUBL	:	Lumbini Bikas Bank Limited
Ltd.	:	Limited
MABBL	:	Mahalaxmi Bikas Bank Limited
MUBBL	:	Muktinath Bikas Bank Limited
NRB	:	Nepal Rastra Bank
ROA	:	Return on Assets
ROE	:	Return on Equity
SD	:	Standard Deviation
T.A	:	Total Assets
TD	:	Total Deposit
TU	:	Tribhuvan University

ABSTRACT

The purpose of this study was to examine the bank-specific variables influencing Nepal's development banks' profitability. Research using both descriptive and causal comparison methods has been conducted in order to meet the specific goal of the study. Panel data from Nepal's development banks spanning ten years, from 2013–14 to 2022–23, is used in the study. The independent variables include bank size, loan to deposit ratio, equity to asset ratio, cash reserve ratio, and non-performing loan ratio (NPL ratio), whereas the dependent variable is profitability (ROA and ROE), which measures liquidity.

We have utilized secondary data for this investigation. One important analytical approach in panel data analysis is ordinary least square regression (OLS). The ratio of loans to total assets and ROA are significantly positively correlated. The size of the bank also affects ROA negatively. The relationship between ROA and the cash reserve ratio, NPL ratio, total equity to assets ratio, and cash reserve ratio is negligible. According to the regression analysis, the independent variable, the size of the bank and cash reserve ratio (CRR), is statistically significant. In addition, loan to deposit ratio (LDR) and equity to assets (ETA) are statistically significant when combined with ROE.

Keywords: *Profitability, Development Banks, ROE, ROA, Liquidity.*

CHAPTER-I
INTRODUCTION

1.1 Background of the study

The performance of a company is significantly impacted by the day-to-day management of its short-term assets and liabilities. Even businesses with solid long-term projections and financial performance cannot remain solvent without effective liquidity management. Subsequently, while expanding investor abundance stays an organization's first concern, saving the organization's liquidity is similarly fundamental. As a result, a business should strike a balance between these competing goals. The company may face serious issues if profit growth comes at the expense of liquidity, so it is necessary to strike a balance between these two business goals. A company won't last very long if it doesn't care about making money. Assuming that it does, however, it will probably disregard money and risk becoming indebted or bankrupt. Because of these factors, liquidity management is important because it will ultimately affect the profitability of the business (Adhikari, 2023).

As per Shrestha (2012), the money vault to store proportion and the money hold proportion impressively affect Nepal's productivity. In addition, the ratios of liquid funds to deposits, cash and bank balances to deposits, and liquid funds to current obligations have not been found to have a significant impact on profitability. Conversely, benefit alludes to an organization's income after value to resources are covered. Organizations may effortlessly see where they are with regards to benefit by utilizing productivity proportions to survey their level of productivity. Every company strives to achieve maximum profitability because the ultimate objective of every business is to increase profitability. Since an organization's productivity and liquidity are exceptionally connected, the organization needs to keep up with the ideal degree of liquidity (Ali Khan and Ali, 2016).

As per Narwal and Pathneja (2024), the size of the bank altogether influences the ROA and ROE of Nepalese business banks. It likewise tracked down that the credit to store proportion, functional cost to functional pay, and non-interest pay to add up to resources all advantageously affect net interest edge. Also, advance to stores proportion assists with

further developing ROA. The profitability of commercial banks in Nepal is not significantly impacted by GDP, the non-performing loan ratio, inflation, or credit risk.

By comparing a company's earnings to its expenses and other relevant costs incurred over a specific time period, Rawal and Thapa (2019) define profitability. Because they are interested in dividends and stock price appreciation, prospective investors place a greater emphasis on the profitability statistics. On the opposite side, administrators are interested to know how to measure working execution regarding benefit. Consequently, a low profit margin would stoke suspicions of inept management and deter investors from providing funding for the company.

According to Rakshit and Bardhan (2024), liquidity is an essential component for both internal and external analysts because of its intimate connection to a company's day-to-day operations. When a company's profitability is at risk and its liquidity is low, it is risky and unsound. The review led by Khan et al. (2016) uncovered that the benefit of banks is altogether impacted by net revenue edge, cash, and semi cash. Tamang (2024) found a great relationship between's Himalayan Bank Restricted's net benefit and credits and advances, complete stores, and all out ventures. Additionally, the analysis revealed that the bank's profitability is satisfactory. Similar to this, Sharma (2019) investigated the relationships that existed between the bank's business expansion and total working capital, loans, and advances. The study found that loans, advances, and total working funds had a positive impact on the bank's net profit at the time.

According to Wuave, Yua, and Yua (2020), the capital, operational expense, gearing ratio, and bank size all had a positive impact on Bangladeshi banks' profitability. The liquid fund to current obligation ratio, the cash and bank balance to deposit ratio, and the liquid fund to deposit ratio were the three other statistically significant variables that showed a negative relationship with performance. Msomi (2022) claims that the liquidity ratio, inflation rate, and capital adequacy ratio all have a positive impact on non-performing loans, which ultimately has a negative impact on banks' profitability.

According to research conducted by Rijal (2019), the credit to deposit ratio is the only one that has a positive impact on return on assets; the other ratios, assets quality and liquidity ratio, all have a positive impact on net interest margin. Gnawali's (2018) study

shows that government banks in Nepal suffer from a negative impact on asset return from non-performing loans. Similar to ROE, or company profitability, nonperforming loan to total loan (NPLTL) has a negative impact. Observational information has shown that there is a clashing connection between a company's monetary execution and its liquidity risk. Accordingly, the objective of this examination is to decide what liquidity means for Nepalese improvement banks' productivity. Consequently, bank profits may be affected by deposits, non-performing loans, and loans and advances. Loan eligibility is contingent on deposit collection, indicating that a decrease in NPL also results in an increase in net profit.

1.2 Problem statement

Banks ought to operate efficiently when it comes to lending money and taking deposits. If a bank does not have enough liquidity, it could run into serious financial issues. As a result, maintaining the bank's liquidity position will contribute to the profitable expansion of the company. According to reports, Nepal's commercial banks rarely ever raise funds for the country's industrial sectors. Banks are unable to acquire capital and invest it in profitable enterprises. The bank's financial performance is impacted by the financial statement analysis's strengths and weaknesses. The failure of specific areas to take care of transient obligations and other monetary commitments is an indication of how inadequately liquidity the board is carried out. Consequently, these industries struggle to maintain their liquidity conditions. As a result, they suffer, which has a negative impact on their financial success (Shrestha & Jha, 2023).

The bank ought to be able to obtain discretionary funds promptly and affordably when cash is required, Rose (1999). A commercial bank ought to have sufficient liquidity in order to lessen the dangers associated with its liquidity on the liability side as well as the asset side. An issue with a business bank's monetary wellbeing can be shown by both unreasonable and inadequate liquidity. Since abundance liquidity lessens return on resources, it annihilates business bank productivity. Similarly, lacking liquidity harms a bank's credit score, driving a resource deal that harms the bank's image. Therefore, commercial banks must strike a balance between profitability and four liquidity risk. The bank's poor financial statement analysis has a negative impact on the company's financial performance.

Mishra and Pradhan (2023) found that there is no significant relationship between's banks' productivity and liquidity and that CDR and IDR adversely affect ROA. As indicated by Shrestha (2012), Nepal's benefit is decidedly and essentially affected by the NRB to store proportion and the money vault to store proportion. The cash and bank balance to deposit ratio, the liquid fund to current obligation ratio, and the liquid fund to deposit ratio have also been found to have no discernible impact on profitability.

According to Neupane (2019), Nepalese commercial banks' ROA and NIM are significantly influenced by bank size, as are the positive effects of operational expense to operational income, non-interest income to total assets on return on assets, and credit to deposit ratio on net interest margin. Besides, Cd valuably affects ROA. The profitability of Nepalese commercial banks is unaffected by the GDP, inflation, credit risk, or capital adequacy ratio.

As indicated by Neupane (2019), the proportion of credit to store estimates the resource structure that describes how the progression of stores works on the credit/credit activity of banks and assists keeps money with making money. Credit is an additional significant source of revenue for banks, and the profitability of banks is significantly influenced by the ratio of credit deposits to total deposits. This study attempts to answer the following questions in this regard:

i. What is the profitability status of sampled commercial banks of Nepal?
ii. Is there any relationship between bank-specific determinations on profitability of commercial banks?
iii. Does the impact of banks' size, equity to assets ratio, loan to deposit ratio, non-performing loan ratio and cash reserve ratio effect on the profitability of commercial banks of Nepal?

1.3 Objectives of the study

The study's primary objective is to investigate the factors that influence the profitability of Nepalese development banks. Other Explicit goals are:

i. To assess the profitability status of Nepalese commercial banks.
ii. To examine the relationship between bank sizes (i.e. total assets), loan to deposits ratio, equity to assets ratio, cash reserve ratio and non-performing loan ratio on profitability of Nepalese commercial banks.

iii. To evaluate the effect of bank size (i.e. total assets), loan to deposits ratio, equity to assets ratio, cash reserve ratio and non-performing loan ratio on profitability of Nepalese commercial banks.

1.4 Research hypothesis

The study's null hypothesis will be as follows: -

1) There is no impact of Bank size on ROA
2) There is no impact of Bank size on ROE
3) There is no impact of Loan asset ratio on ROA
4) There is no impact of Loan asset ratio on ROE
5) There is no impact of EAR on ROA
6) There is no impact of EAR on ROE
7) There is no impact of CRR on ROA
8) There is no impact of CRR on ROE
9) There is no impact of NPL on ROA
10) There is no impact of NPL on ROE

1.5 Rationale of the study

The bank's benefit was adversely affected by the sharp expansion in store loan fees. For this situation, the banks should likewise restrict their working expenses and deal with their expense of assets. Nepalese development banks' profitability has been the subject of numerous studies, the majority of which have focused on financial analysis and the investment function. The study will primarily help shareholders, depositors, and other creditors figure out how well their money works in development banks. Likewise, the exhibition of the bank is additionally important to other monetary specialists, like monetary trained professionals. In addition, any individual or future researcher will have access to a trustworthy body of literature to evaluate the project's outcomes.

Investors may find this study useful in considering portfolio reorganization. In a similar vein, potential investors can use the findings of the study to help them make timely investment decisions. The findings will have a greater impact on academics and researchers studying the Nepalese stock market in the future. This would also benefit the macro-level policymakers at the government and Nepal Rastra Bank in terms of developing new policies regarding the banking sector's contribution to economic growth.

Additionally, the study provides direction for the relevant banks' future plans and initiatives and forces management to evaluate their own past actions.

1.6 Limitations of the study

A long with the meaning of this review there certain impediments which are as per the following:

i. This study is based on the profitability analysis of five development banks only, which may not represent all banking industry.
ii. This study covers Ten-year time period from 2013/14 to 2022/23.
iii. This study is based on secondary data taken form annual financial report of sample banks and other secondary sources.
iv. Only profitability, limited bank specific factors (i.e. bank size (i.e. total assets), deposits ratio, equity to assets ratio, CRR and NPLR) has been taken into consideration for the analysis.
v. Only selected financial and statistical tools are used in this study.

CHAPTER-II
LITERATURE REVIEW

In order to identify all previous studies, their shortcomings, and their findings in order to conduct new research, reviewing the literature entails reading research papers or other relevant claims made in the field of study. It is a fundamental and required system for research projects. In such manner, the scientist will be helped with fostering a reasonable undertaking structure by a survey of earlier related research projects. Taking stock of what has been written about the subject of one's inquiry is similar to reviewing the literature. It examines pertinent literature, journals, publications, and earlier research in the subject area, as well as the concept of financial analysis.

2.1 Theoretical review

The efficiency theory

On the other hand, the effectiveness speculation declares that banks' huge benefits are a consequence of their unrivaled proficiency. The term "efficiency" refers to two distinct approaches, the Scale-efficiency hypothesis and the X-efficiency hypothesis. The X-proficiency approach expresses that since additional productive organizations have lower above, they are more beneficial. Although there is no correlation between concentration and profitability, these businesses typically increase their market shares, which can raise market concentration levels (Athanasoglou et al., 2007). 2008).

The market power theory

According to Tregena (2009)'s market power hypothesis, a bank's performance is influenced by the industry's market structure. The market power hypothesis is comprised of two distinct hypotheses: the Relative Market Power (RMP) and Structure Conduct Performance (SCP) hypotheses. The SCP strategy expresses that banks can possibly acquire market power because of the level of market fixation in the financial business, which could build banks' productivity. Due to their ability to charge higher loan rates and lower deposit rates for monopolistic or collusive reasons, banks operating in more concentrated markets are more likely to make abnormal profits than businesses operating in less concentrated markets (Tregenna, 2009).

The balanced portfolio theory

Olweny and Shipo (2011) claim that the most important and relevant approach to bank performance research is portfolio theory. According to the Portfolio Balance Model of Asset Diversification, a number of factors, such as the size of the portfolio, the vector of risks associated with owning each financial asset, and the vector of rates of return on all assets held in the portfolio, determine the optimal holding of each asset in a wealth holder's portfolio. It suggests that decisions made by bank management determine the intended portfolio composition and portfolio diversification. Moreover, the administration's assurance of a useful arrangement of resources and liabilities as well as the unit costs caused by the bank in making every resource part influence the possibility to accomplish most extreme profit (Olweny and Shipo, 2011).

Bankruptcy cost theory

The bankruptcy cost theory provides an explanation for the positive correlation between capital adequacy and profitability, as stated by Aremu, Ekpo, and Mustapha (2013). To bring down the assessed worth of insolvency expenses and forestall monetary misery, banks should hold greater value and lift their capital proportion in the event that the expenses of liquidation are suddenly high because of ecological changes.

Structure-conduct-performance (SCP) hypothesis

The distribution of bank sizes and numbers indicates that, in an increasingly competitive banking market, individual banks' market strength decreases, according to the SCP hypothesis. It is anticipated that banks' diminished market dominance will result in lower profit margins and decreased profitability due to their increased competition for customers. This hypothesis demonstrates how market structure influences bank behavior and performance.

Efficiency-structure (ES) hypothesis

Bank efficiency, according to the ES hypothesis, acts as a mediator between profitability and bank competition. This thought proposes that expanded rivalry can push banks to build their efficiency to remain productive. Inefficient banks could be replaced by a group of banks that are both more profitable and effective in a market with more competition.

X-inefficiency theory

The idea of "x-failure" expresses that organizations can work wastefully even in aggressive business sectors. This hypothesis suggests that, regardless of the level of competition, banks may not always function as effectively as they could because of a variety of internal issues. As a result, it's possible that changes in the competitiveness of banks won't have a direct impact on profitability.

Innovation and risk-taking theory

Banks may be more likely to innovate and take on more risk in an effort to differentiate themselves from rivals and attract customers in a market with more competition. There are the two advantages and disadvantages for productivity related with this creative and risk-taking way of behaving. While more serious gamble taking could open banks to potential misfortunes, developments could bring about new income streams.

2.2 Conceptual review

This section examines the conceptual concept of commercial banks' profit and profitability.

Concept of profitability

The term "Profitability" is the combination of the words "Ability" and "Profit." Accounting and economics are the two primary concepts associated with the term "profit." The dad of financial matters, Adam Smith, expressed that "Benefit is the sum left over after all wages are paid." In economics, wages include payments to farmers, business owners, officers of corporations, partners, and laborers. Additionally, wages include rent on the unimproved value of land, which is referred to as the return on capital. The last "bookkeeping" benefit of such firms contains two parts, as per the science of capital of bookkeeping: a profit from capital and a return addressing monetary lease on the land esteem. However, there is absolutely no information available regarding the proportion of "accounting" profit that each of these two economic components represents. According to Gupta (1992), this results in the perplexing fact that "economic" profit is not the same as "accounting" profit or a businessman's profit.

Deciding if a bank has used its assets productively to meet its benefit objectives is the objective of productivity estimation. The productivity goals relate to the least benefit that the business should create, as opposed to the best benefit that it can create. The benefit at the most reduced rate essential for the expected sort of bank speculation is known as the negligible benefit. However, according to Dangol (1999), there must be insufficient profit to both supply the additional funds required to meet operating expenses and yield the capital in the market rate of return on money that has already been invested in the business.

Economists believe that taking risks results in profits for entrepreneurs. It could be argued by leaders of the labor movement that it serves as a starting point for wage increase negotiations and a measure of labor productivity. Moreover, financial backers will consider it to be a measure of their monetary return. It very well may be utilized as a premise by an inside income specialist to compute personal duties. An accountant would define it as the difference between a company's revenue and its expenses for generating revenue during a particular fiscal quarter, according to Lynch and Williamson (1989).

There are many different goals for every business. The objective of business is to maximize profits. Profit is everything in a business. Similar to water, it has the same significance. to cover ongoing costs of running a business, like replacing furniture and equipment, managing market or technological risks, and so on. Profit is very important in the context of the self-financing principle. It provides structure and lowers capital costs. An undertaking's productivity draws in financial backers. Thus, when there is an adequate benefit, financial backers would give their cash something to do. Hence, to ensure and satisfy the assumptions for the executives, proprietors, financial backers, representatives, and the country overall, benefit is essential (Dangol, 1999).

Profit and profitability

Profitability and profit are ideas that are sometimes used interchangeably. But there is a real difference between the two. Profit is an absolute term, whereas profitability is a relative concept. Despite this, their roles in business are distinct, mutually dependent, and intimately related. Benefit is the whole income created by the business throughout the given time span, though productivity is the business' functional adequacy. It refers to the

capacity of the company to profit from sales. It is the limit of an association to get a decent profit from the cash and work used over business (Fregmen, 1976).

Profit is a measure of taxable capacity, a foundation for legislative action for the government, an indicator of economic progress, the generation of national income, and the rise in the standard of living for the nation, as well as an indicator of efficiency and control in the administration of finances (Weston, Besley, & Brigham, 1996). Profitability, which is a byproduct of profit, is not the same thing as profit. Put in any case, there is no benefit that prompts productivity. Organizations with comparative benefits can contrast concerning productivity. Despite the fact that the benefits of two unique organizations might be something very similar, they every now and again vary when their productivity is communicated regarding the amount of the speculation (Horngren, 1992).

Bank specific factors affecting profitability of banks

Bank size: One main consideration affecting benefit is the size of the bank. Internal bank operations may benefit or suffer as a result. The fact that there is a positive correlation between the bank's size and ROA indicates that the bank has been successful in achieving economies of scale, which results in lower operating costs and increased profitability. On the other hand, a negative relationship signifies scale failures (Mahmud, Mallik, Imtiaz and Tabassum, 2016).

Gearing ratio: The outfitting proportion shows how much value and obligation the banks are using to fund their resources. It is measured by the ratio of debt to equity. A relatively higher gearing ratio indicates greater liquidity risk because debt holders may demand a higher rate of return. It suggests that there is a high risk of liquidity, which could lower profitability. Mahmud, Mallik, Imtiaz, & Tabassum (2016) found that this is a significant factor in determining credit position.

Non-performing loan ratio: Advance default rate is estimated by non-performing credit proportion. It was discovered that bank profitability was negatively correlated with the number of non-performing loans (NPLs). Bank productivity diminishes with the amount of characterized credits as a level of all out credits.

The non-performing loan ratio, which indicates a larger provision for loan security, is one of the banking profit determinants that is unique to each bank. A bigger arrangement diminishes how much cash accessible for speculations, brings down the bank's procuring potential, and unfavorably influences the benefit of the banks (Islam &Nishiyama, 2016).

Liquidity: There is a trade-off between liquidity and profitability. Liquid assets protect against deposits that may require immediate payment. As a result, increased liquidity reduces lending capacity while also lowering risk. Subsequently, greater liquidity signifies diminished productivity. As a result, there is a weak connection between the two.

The liquidity of a bank is determined by comparing its total deposit to its balance, which helps to lower the short-term risk of the bank failing. If the bank does not have sufficient liquidity, it may not be able to pay its depositors and make its regular payments. The bank's performance is also closely linked to its liquidity because the bank's ability to operate regularly is influenced by its liquidity (Kosumi & Kosumi, 2021).

Leverage ratio: (Kosumi & Kosumi, 2021) The empirical data on leverage revealed a statistically significant but negative association. A bank with a higher ratio has a larger proportion of deposits and liabilities, which increases interest costs and lowers profitability.

Operating expense ratio: The company's profitability rises as a result of reduced operational expenses caused by effective management. The expected relationship between ROA and operating expenditure ratio is an inverse relationship.

Capital adequacy ratio: Capital adequacy ratio is what determines a bank's net worth. It demonstrates the amount of money available to safeguard against adverse developments. ROA and CAR have a erratic relationship. Some review shows a negative relationship, while other exploration focuses to a decent one.

We selected and examined these factors that have an impact on the financial performance of commercial banks in Bangladesh. The review utilizes advance to store proportion (LDR), capital sufficiency proportion (Vehicle), and non-performing credit (NPL) as

marks of credit hazard and return on resource (ROA) as a device for estimating bank execution. A panel data regression study showed that commercial banks' financial performance was negatively impacted by the Capital Adequacy Ratio (CAR) and Non-Performing Loan (NPL) in a statistically significant way. Then again, the Advance to Store Proportion (LDR) emphatically and measurably altogether impacted the business banks' monetary exhibition. Subsequently, credit risk adversely affects business banks' monetary exhibition (Yeasin, 2022).

2.3 Empirical review

2.3.1 Review of Articles

Shehzad, Haan and Scholtens (2013) examined the relationship between bank size and the level of profitability and growth of banks and to examine the link between bank size and the variability of profits and bank growth. This study included banks from a wide range of developing economies. In order to estimate the growth and profit models, the study used panel and cross-sectional regressions. This study utilizes a two-step GMM model to dissect the connections between bank benefit and development. It was found that the degree and eccentricism of bank extension, as well as the changeability of bank benefit, are not affected by the size of the bank. It was likewise shown that bigger banks in major league salary nations for financial collaboration and improvement grow more leisurely than little banks, yet by and by make money. It is found that both assortment in benefit and fluctuation in bank development are unaffected by bank size. Both expanded expansion and the expense/pay proportion significantly lower bank benefit and dividends on value.

Karimzadeh, Akhtar and Karimzadeh (2013) analyzed the profitability of banking sector in India in the light of aforementioned changes by showing the relationship between banks profitability and the factors that determine the level of profitability of Indian banking system and identify and critically examine the main internal and external factors that affect banks’ profitability in India. Market concentration, GDP, inflation rate, bank size, lending rate, and loan to total assets ratio all had an impact on banks' return on assets, according to the study's linear regression model. It was discovered that there is a positive correlation between ROA and SIZE. This positive correlation demonstrates the effect that a bank's size has on its profitability. Then again, the rate and bank benefit have a negative relationship. This finding demonstrates that the productivity of banks has been

harmed by the decrease in loan fees in India. Bank benefit is decidedly affected by stores comparative with absolute resources also. The connection between credits to add up to resources and benefit is positive, implying that the probability of a superior profit from resources is corresponded with the quantity of credits. In contrast, inflation has a negligible and negative impact on ROA because, in inflationary contexts, costs typically rise faster than revenue. It was also demonstrated that GDP has a direct impact on ROA.

Saeed (2014) researched on the impact of bank-specific, industry-specific, and macroeconomic variables on bank profitability before, during, and after the financial crisis of 2008. Data regression and correlation analyses revealed that bank size, capital ratio, loans, deposits, liquidity, and interest rate have positive effects on ROA and ROE, while GDP and inflation rate have negative effects. The aftereffects of this study can help with direction and upgrade the exhibition of monetary establishments proceeding for UK banks, the public authority, financial backers, policymakers, and investors.

Islam and Nishiyama (2016) determined the determinants of bank profitability of South Asian countries. Using the GMM estimator, this study empirically investigates the factors that specifically influence bank profitability, industry-specific factors, and macroeconomic factors. ROA and ROE were the empirical model's profitability factors. The equity to assets ratio, non-performing loan ratio, liquidity ratio, cost of fund ratio, productivity ratio, earning power, growth rate of deposit, credit deposit ratio, interest income ratio, interest rate, inflation rate, funding gap, GDP growth rate, and other ratios were used to analyze profitability. It was found that capital plays a significant role in how profitable a bank is. The equity to total assets ratio has a positive and significant impact on ROA. Cost of assets, liquidity, financing hole, loan fee term structure, and monetary development rate were found to have an adverse consequence, while expansion rate well affected bank benefit. It was found that the size of the bank and the pace of store development considerably affect bank benefit. Nonetheless, the credit to store proportion, rate-delicate resources, and rate-touchy liabilities negatively affect banks' productivity. It likewise showed that a country's macroeconomic development rate and loan fee term structure inconveniently affect bank benefit.

Khan et al. (2016) conducted a research on effect of firm specific and country specific factors on profitability of banks in Pakistan. The objective of the study was to investigate the factors that influence the profitability of Pakistani banks. This study investigations numerous boundaries to find out what they mean for benefit. The panel data approach was used to measure the results of the fixed effect modal and random effect modal. In synopsis, the examination uncovered that the bank's productivity has been fundamentally affected by the autonomous factors. The cash and semi cash factors, as well as the inconsistent net revenue edge, affect the banks' benefit. The discoveries showed that adjustments of firm-and country-explicit factors as well as firm-explicit inside factors influence business bank income.

Javaid and Alalawi (2017) analyzed on performance and profitability of Islamic banks in Saudi Arabia: An empirical analysis. The purpose of the study was to investigate the profitability and performance of Saudi Arabia's banking sector as well as the role that Islamic banking plays in these aspects. Utilizing powerful fixed impact relapse models utilizing uneven board information, this study takes a gander at how productivity is impacted by factors remarkable to banks, the area, and the macroeconomic climate. While not statistically significant, it was discovered that size and the natural logarithm of total assets have a positive effect on profitability. It is believed that increasing in size has advantages that can boost profitability. Both ROA and ROE, which have positive and highly significant coefficients of the capital adequacy variable (CAR), demonstrate Saudi banks' solid financial standing. The proportion of non-performing credits to add up to credits has a positive relationship with both bank execution measurements. This suggests that improved bank performance is correlated with higher asset quality. Put in an unexpected way, Saudi Islamic banks keep sufficient stores to oversee non-performing credits. Cash and balances less than assets have negative and insignificant relationships with both performance ratios, management quality has a significant positive relationship with both profitability measures, and growth and profitability have significant negative associations. Operating efficiency appears to be highly significant but negative at the 1% level with both profitability measures.

Hallunovi (2018) researched on the determinants of profitability of banks in Albania. Return on resources (ROA) and return on value (ROE), two markers (subordinate factors) were utilized in this review to evaluate productivity. This examination utilized banking-

explicit boundaries, which incorporate factors like bank size, resource the board, credit risk, resource liquidity, capital sufficiency, functional productivity, and supporting expense. Also, macroeconomic elements including Gross domestic product, expansion, and money rate were analyzed. In this study, multiple regression analysis was used to evaluate the impact of the factors that influence bank profitability. As per this review, capital ampleness and productivity (ROA/ROE) are emphatically corresponded, however just on account of the ROA model, which has extraordinary measurable importance. While having a low coefficient of significance to ROA, complete resources helpfully affected benefit (ROA/ROE). Liquidity assets and ROA and ROE profitability have a negative correlation; however, the correlation for ROA was not statistically significant, whereas the correlation for ROE was one percent. There was a statistically significant negative correlation (5% for ROA and 1% for ROE) between credit risk and profitability in both models.

Abuselidze (2021) evaluated on the impact of banking competition on economic growth and financial stability: An empirical investigation. The study evaluates the impact of the banking system's effectiveness on the nation's economic expansion and examines the degree of competition in the banking industry using a variety of econometric models. The study examines the obligation of the central bank to maintain banking industry competition. The study also makes some suggestions for making banking more competitive. According to our theory, the economy's high level of banking competition and low level of market concentration offset the rapid expansion of the money supply. As a result, the Central Bank's monetary policy will be more successful in achieving its primary objectives. Consequently, banking competition fosters economic expansion. In addition, the central focus of the Central Bank's monetary policy is financial stability, which is an essential component of a nation's economic development.

Tan, Lau and Gozgor (2021) conducted a research on competition and profitability: impacts on stability in Chinese banking. By looking at the consolidated impacts of industry climate and productivity on a few types of hazard (credit, liquidity, capital, and bankruptcy risk) in an example of Chinese business banks from 2003 to 2015, this study adds to the group of information on banking. According to the findings, a more developed banking industry increases the liquidity and credit risks of Chinese commercial banks while reducing capital risk. Besides, it's conceivable that benefit will bring down the risk

of indebtedness and advance default. Accordingly, the aftereffects of this study have huge arrangement suggestions for improving dependability in the Chinese financial area.

Kosumi and Kosumi (2021) researched the performance evaluation of commercial banks. It uses data from 12 commercial banks from 2012 to 2018 and is based on the unique characteristics of the banks. Return on resources (ROA) is viewed as the reliant variable for this reason, while the free factors incorporate capital sufficiency (CAP), bank size (SIZE), credit risk (CR), income broadening (DIV), liquidity (L), and influence (LEV). The study came to the conclusion that commercial banks' profitability has primarily been driven by factors like liquidity and bank size, which were found to have a significant positive effect on profitability. Nonetheless, this examination likewise found that the banks' ROA and their capital sufficiency, credit chance, and influence were contrarily associated.

Garcia and Meurer (2022) determined the effects of a development bank on the profitability of banks: Evidence for Brazil. The reason for this article is to look at how the Public Bank for Financial and Social Turn of events (BNDES) influences the value and resource benefit of Brazilian banks. We use data from private and state-claimed business banks for the years 2000-2019. According to the findings, an increase in the BNDES's asset holdings has a negative impact on private banks' profitability while state-owned banks continue to be profitable. Additionally, a BNDES expansion has a positive impact on trading revenues while having a negative impact on the revenue streams from private banks' credit operations and services. The financial intermediation expenses of state-owned banks increase with BNDES, whereas the operating expenses of private banks decrease.

Dinu and Bunea (2022) argued on the impact of competition and risk exposure on profitability of the Romanian banking system during the COVID-19 pandemic. The current study set out to investigate the possibility of a connection between the profitability of the banking system as depicted by the ROA (return on assets) indicator and risk management in terms of risk-weighted assets (credit risk, market risk, and operational risk). The opposition was inspected utilizing the case of the Romanian financial market, both when the Coronavirus pandemic. To test the formulated hypotheses, the authors used a mostly quantitative research methodology with a number

of testing objectives and potential cause-effect relationships based on statistically deductive analysis. That's what the review's discoveries show, before the Coronavirus pandemic, there was a critical power connection between's the banks' openness to add up to risk (RWA) (risk-weighted resources), piece of the pie, and the financial exhibition marker (ROA), which was a free factor. The banks' exposure to credit risk and their position in the banking market also significantly correlated after the pandemic.

Rakshit and Bardan (2022) researched on an empirical investigation of the effects of competition, efficiency and risk-taking on profitability: An application in Indian banking. The study aims to ascertain whether changes in bank efficiency, competitiveness, and risk-taking influenced the profitability of Indian commercial banks between 1996 and 2016. When evaluating the determinants of profitability, this study takes into account a wide variety of institutional, macroeconomic, and bank-specific factors that explain the variances in bank profitability. The two-step framework GMM's projected outcomes show that expanded bank contest brings down bank benefit in India's financial industry. As far as facing challenges, the discoveries show that the rising pervasiveness of credit risk diminishes bank benefit for all possession types and the financial area in general. However, there is a positive correlation between bank performance and increased profit and cost efficiency. In India, bank profitability appears to be influenced by other institutional, macroeconomic, and bank-specific factors. The combined effects of efficiency and competitiveness (or taking risks) have been more thoroughly examined in this study.

Soeharjoto, Tribudhi and Salfinnia (2023) analyzed on effect of competition and sustainable financial performance application on the profitability at banking industry in Indonesia. This study aims to determine how Indonesia's banking sector's profitability is affected by competition and the implementation of sustainable financial performance. The Indonesian Stock Exchange used purposeful sampling from 2018 to 2021. In the analysis, the panel data regression method was used. Return on assets was the study's dependent variable, banking competitiveness and sustainable financial performance were the independent variables, and non-performance loans, the loans-to-deposit ratio, the net interest margin, and the capital adequacy ratio were the control variables. The findings suggest that the Fixed Effect model is the best option. The productivity of the financial business is decidedly and essentially influenced by piece of the pie, monetary execution,

ecological execution, and net revenue edge; then again, the Herfindahl-Hirschman File fundamentally and adversely influences the benefit of the financial business. However, the metrics of non-performance loans, capital adequacy ratio, loans to deposit ratio, and governance and social performance have no effect on the profitability of the banking industry.

Handayani et al. (2024) researched on factors affecting the profitability of Islamic commercial banks for the period 2018-2022. Third-party funds (TPF), musyarakah financing (11), fee-based income (15), and operational expenses on operational revenue (BOPO) in relation to return on asset (ROA) in Islamic Commercial Banks in Indonesia for the period of 2018 to 2022 are the primary objectives of this study. The population includes all Indonesian Islamic Commercial Banks, while the purposive sampling technique was used to select 18 Islamic Commercial Banks in Indonesia for the years 2018 to 2022. The simultaneous significance test (F-test), the coefficient-t12of-determination test (R2), and the partial significance test (t-test) are the methods of analysis that are utilized in the Multiple Linear Regression Analysis Model. The results1of speculation testing1and discussion1indicate that, somewhat, third1 party1funds1 (TPF) and expense based pay have a positive1 effect12 on12 return1212 on asset1 (ROA). Musyarakah financing and operational expenses have a negative impact on operational revenue (BOPO) and return on assets (ROA) in Indonesian commercial banks from 2018 to 2022.

Table 1

Summary of Empirical Review

Authors	Variables	Methodology	Major findings
Karimzadeh, Akhtar and Karimzadeh (2013)	GDP, SIZE, the ratio of deposits to total assets, and the ratio of loans to total assets	It adopted the longitudinal time dimension, specifically, the panel method.	GDP, SIZE, the ratio of deposits to total assets, and the ratio of loans to total assets all have a positive impact on the bank's profitability. However, profitability suffers from inflation and lending rates.
Shehzad, Haan and Scholtens (2013)	bank growth and profitability, bank size	The study used return on asset (ROA) and the 2005-2011	Despite the fact that bank size has little effect on either bank growth or profitability, both variables fluctuate. Both expanded expansion and the expense/pay

		financial reports of 15 Jordanian banks listed at Amman Stock Exchange (ASE).	proportion significantly lower bank benefit and dividends on value.
Saeed (2014)	GDP, ROA, ROE and inflation rate	Analytical manipulation of data	While Gross domestic product and expansion rate adversely affect ROA and ROE, bank size, capital proportion, credits, stores, liquidity, and loan cost make a positive difference.
Shrestha (2014)	ROA, ROE, NPLR, CRR	Correlation and regression are used respectively to find the nature of the relationship and extent of relationship between dependent and independent variables.	The sample bank's profitability position in this study is satisfactory.
Niraula (2015)	Profitability, composition and trajectory	The Ordinary Least Square (OLS) model used to examine the impact of liquidity on profitability.	The key profitability metrics, the composition and trajectory of commercial banks' non-performing assets, and the relationship between non-performing assets and profitability are all examined in this study.
Narwal and Pathneja (2015)	Profitability, CRR, Load to deposit	Fixed Effect Regression model with Cluster Standard Errors and Drisc or Kraay Standard Errors models, Feasible	The efficiency of banks is harmed by mechanical progression.

		Generalized Least Square Model and Panel Correlated Standard Error Model to provide the robust result.	
Khan et al. (2016)	changeable Money, quasi-money, and net interest margin	Descriptive analysis is used to analyze the data..	Independent variables have a significant impact on profitability. The inconsistent Cash, semi cash, and net revenue edge all hugely affect how productive banks are.
Mahmud et al. (2016)	capital, operational expenses, gearing ratios, and bank size	This methodology is based on the analysis of bank's active and passive operations.	Capital, operational expenses, gearing ratios, and bank size have a positive impact on Bangladeshi banks' profitability. Three additional genuinely huge factors likewise exhibited a negative relationship with execution.
Kamande, Zablon and Ariemba (2016)	Bank Size, return on assets	Financial and Statistical analysis with the ratios and regression.	Resource quality well affects banks' monetary presentation and productivity. The investigation reaches the determination that a bank's resource quality biggestly affects its profit from resources.
Raymajhi (2016)	loans and advances to net profit, net profit, total working capital, net profit, total deposit, and total investment	Using a panel of US banks, we find that liquidity creation is associated with higher profitability.	The trend is upward for loans, advances, net profit, total working capital, net profit, total deposit, and total investment.
Khanal (2016)	ratio of equity to total assets, the ratio of	Panel data of four entities; ten banks in Vietnam, eight	The proportion of value to add up to resources, the proportion of advance misfortune arrangement to add up to

	loan loss provision to total loan, GDP growth rate, return on equity, and inflation	banks in Malaysia, nine banks in Thailand and all 27 commercial banks from the period 2012 to 2016.	credit, Gross domestic product development rate, return on value, and expansion all have gainful advantages. Return on value and return on resources are contrarily associated with bank size, the cost to income proportion, and the all out credit to add up to store proportion.
Islam and Nishiyama (2016)	ROA and the equity to total assets ratio	By using Hausman test and thereafter fixed effects approach	The benefit of ROA and the value to add up to resources proportion is decidedly affected. Bank profit is negatively impacted by the cost of funds, liquidity, loan-to-deposit ratio, funding gap, interest rate term structure, and economic growth rate. The store development rate and bank size perceptibly affect the benefit of the bank.
Javaid and Alalawi (2017)	Total assets, or ROA CAR	Descriptive and explanatory analysis using financial and statistical analysis.	Complete resources, or ROA Vehicle, well affect benefit. Both bank performance metrics are positively correlated with the ratio of non-performing loans to total loans.
Nepali (2017)	profit on loans and advances, growth rate, net profit, the total amount of deposits, the loan and advance	Explanatory analysis with the various financial analysis.	How much benefit on credits and advances, the yearly development pace of net benefit, the aggregate sum of stores, the advance and advance of NBL and EBL, and the impact of NPL the executives on example banks' productivity are undeniably analyzed. In terms of the ratio of net profit to loans and advances, EBL has consistently outperformed NBL, as stated in the report.
Hallunovi (2018)	capital adequacy and profitability (ROA/ROE)	The study uses the Random Effect Model with unbalanced table	In the two models, capital sufficiency and productivity (ROA/ROE) have a positive relationship. In terms of ROA and ROE, liquidity assets have a negative correlation

		data and quarterly frequency from the first quarter of 2006 to the fourth quarter of 2020.	with profitability, whereas total assets have a positive correlation with profitability.
Sharma (2019)	loan and advance and net profit and total working fund	Using annual data of 91 commercial banks from 11 countries, the study established that banks in emerging markets have target liquidity ratios they pursue and partially adjust due to market frictions	There is a positive effect on benefit position of the example bank, break down the connections among credit and advance and net benefit and complete working asset and study the development of the matter of the bank over the period.
Ranabhat (2019)	Interest rate, ROA, ROE	Descriptive research design, Descriptive analysis, correlation analysis and regression analysis were used to perform the data analysis	Financing cost spreads affect banks' ROA and ROE. Similar to how liquidity and loan ratio have a significant negative impact on banks' ROE, asset size has a significant negative impact on ROA.
Neupane (2019)	Operational expenses, operational income, non-interest income, ROA, NIM, CDR	Regression analysis is used	Functional costs decidedly affect functional pay, non-premium pay emphatically affects complete resources, credit to store proportion emphatically affects net revenue edge, and bank size to a great extent affects Nepalese business banks' ROA and NIM. Besides, Cd valuably affects ROA. The GDP,

			inflation, credit risk, and capital adequacy ratio have no significant impact on the profitability of Nepalese commercial banks.
Budathoki and Rai (2020)	as assets quality; operating efficiency and capital adequacy ratio	Cronbach's alpha test	Asset quality, operating efficiency, and the capital adequacy ratio are independent variables that have a significant negative impact on bank profitability.
Tamang (2020)	Net profit, total deposit, and total investment	Multiple linear regression analysis	Positive correlations exist between loan and advance, net profit, net profit, and total working fund when evaluating Himalayan Bank Limited's projected value of net profit, total deposit, and total investment. The example bank's productivity status is evaluated to be at a palatable level.
Neupane (2020)	GDP growth, inflation, and currency rates, ROA	regression analysis	The development of the financial business, Gross domestic product development, expansion, and cash rates adversely affect bank benefit as estimated by ROA of Nepalese business banks. The ratio of concentration also has a significant negative effect. NIM is largely influenced by the capital adequacy, total branch count, and inflation rate alone. The bank's store and capital adequacy inconveniently affect the ROA of the banks.
Budathoki and Rai (2020)	assets quality, operating efficiency and capital adequacy	Regression analysis	There are free factors, for example, resources quality, working proficiency and capital sufficiency proportion significantly affect bank benefit

	ratio		
Kosumi and Kosumi (2021)	Profitability, liquidity and bank size	multiple linear regression using Eviews 12	Liquidity and bank size are positively influenced by profitability.
Mishra, Kandel and Aithal (2021)	ROA and ROE and the loan, deposit, and capital ratios	Applied a deductive research design and regression analysis of panel data.	The relationship between bank size and inflation is positive, while the relationship between ROA and ROE and the loan, deposit, and capital ratios is negative. While there is a negative relationship between's the capital proportion and NIM, there is a positive connection between's NIM, bank size, credit proportion, store proportion, and expansion.
Chaudhary, Dhakal and Adhikari (2021)	Net profit, total deposit, cash, and bank balanc	Correlation and regression tests to analyze the relationships	There is a positive correlation between EBL and HBL's total deposit, cash, and bank balance. Moreover, during the review time frame, there was a significant positive connection between's net benefit and the all out store of both EBL and HBL.
Poudel (2021)	loan and advance and net profit	Descriptive research design	There is a positive correlation between loan and advance and net profit and correlation
Gautam (2021)	NPA, ROA, RBLL, Interest revenue	Descriptive statistics and linear multiple regression analysis	Level of NPA and ROA show areas of strength for a. In addition, they are in opposition to one another. RBLL's credit management has continued to improve in order to maximize interest revenue.
Msomi (2022)	of liquidity ratio, capital adequacy ratio and inflation rate and non-performing loans	Descriptive study design	There is beneficial outcomes of liquidity proportion, capital ampleness proportion and expansion rate on non-performing advances

Yeasin (2022)	Profitability, non-performing loans (NPLs) and the capital adequacy ratio (CAR), loan to deposit ratio (LDR)	Multiple linear regression analysis	The capital adequacy ratio (CAR) and non-performing loans (NPLs) have a negative impact on profitability. On the other hand, the commercial banks' financial performance was improved by the loan to deposit ratio (LDR).
Agaba and Eton (2022)	loan performance, monitoring and loan performance, and credit risk	regression analysis	There are advantages to credit risk control and loan performance, as well as to loan performance, monitoring, and credit risk assessment and identification.

2.3.2 Review of Thesis

Shrestha (2014) argued the profitability position of the sample bank, analyze the relationships between loan and advance and net profit and total working fund and study the growth of the business of the bank over the period. This investigation revealed that the sample bank's profitability is satisfactory. The fact that there is a positive correlation between net profit and loan advance suggests that the two variables are altering simultaneously. The NSBI is doing a good job of collecting deposits. The specialist found that points were 100 percent accomplished in assets other than stores. The utilization of income-generating loans and advances has increased over the course of the period. Since the NSBI's ongoing proportion doesn't approach 2:1, the organization is satisfying its current commitments.

Khanal (2016) assessed the bank specific and macroeconomic determinants of profitability of Nepalese commercial banks. Return on assets (ROA) and return on equity (ROE) were taken for profitability. This study evaluated the significance and influence of macroeconomic and bank-specific factors on the profitability of commercial banks in Nepal using regression models and Pearson's correlation coefficients. It was found that

profit from resources and return on value are decidedly associated with value to add up to resources, advance misfortune arrangement to add up to credit, Gross domestic product development rate, and expansion, and adversely related with cost to income proportion, absolute credit to add up to store proportion, and bank size. It suggests that the ratio of equity to total assets, loan loss provision to total loan, GDP growth rate, and inflation would all increase ROA and ROE. In a similar vein, larger bank sizes, higher total loans to total deposits, and expense to revenue ratios would all lead to lower ROA and ROE.

Nepali (2017) examined the level of profit on loan and advance, to analyze the annual growth rate of net profit, total deposit and loan and advance of NBL and EBL and to study the impact of NPL management on profitability of sample banks. As indicated by the examination, EBL has reliably kept a more prominent net benefit to credit and propel proportion than NBL. All of the variables, including net profit, total deposit, and total investment, are trending upward from the perspective of the projected trend. Raymajhi (2016) analyzed the productivity position of the example bank to look at the connections among credit and advance, net benefit, net benefit, and complete working asset. It proposes that future monetary achievement can be expected. The structure and direction of business banks' non-performing resources, an assessment of the key benefit measurements, and the association between business banks' productivity and non-performing resources are undeniably covered by Niraula (2015).

Gauttam (2018) evaluated the nonperforming assets of the different banks that has become the challenge to the banks in the Nepalese banking industry, to access the relationship between the profitability and the non-performing assets of the Commercial Banks and to find out the internal and external factors that influence the performing assets to become the non-performing one. The empirical investigation of the study revealed not only a decrease in the ratio of non-performing assets to total lending, but also shifts in the relationships between total lending and total deposit and net profit and total assets. Absolute resources, complete stores, all out loaning, and net benefit are moving vertically at RBBL. Simultaneously, a declining pattern in NPA is likewise recognizable. The results of the correlation analysis show that there is no significant correlation between ROA and the Level of Non-Performing Assets (NPA). In addition, they are in opposition to one another. RBLL's credit management has continued to improve in order to maximize interest revenue.

Ranabhat (2019) investigated the impact of bank specific variables on financial performance of joint venture banks. The return on equity and the return on assets, which were chosen as indicators of the bank's performance, were the dependent variables in this study. Pooled OLS multiple regression models are used to determine the significance and impact of a bank-specific variable on the financial performance of Nepalese joint venture banks. The outcome demonstrated that banks' ROA and ROE are significantly enhanced by interest rate spread. Similar to how liquidity and loan ratio have a significant negative impact on banks' ROE, asset size has a significant negative impact on ROA.

Neupane (2019) examined the factors influencing profitability in Nepalese commercial banks. To determine the effect of these free factors on bank productivity, this study involved return on resources and net revenue edge as marks of bank benefit, and capital sufficiency proportion, size, credit to store proportion, functional cost to functional pay, non-performing advance to add up to credit, and non-premium pay to add up to resources were utilized as bank-explicit factors. Macro variables were GDP and inflation. This study has utilized relapse examination to take a gander at how macroeconomic and bank-explicit elements influence benefit. It was discovered that the ratio of credit to deposits, operational expense to operational income, and non-interest income to total assets on return on assets all had a significant impact on net interest margin. However, the ROA and NIM of Nepalese commercial banks have been significantly impacted by size. Additionally, higher credit and deposit flows indicate higher profitability because CD has a positive effect on ROA. Eventually, the investigation showed that the productivity of Nepalese business banks isn't fundamentally influenced by the capital ampleness proportion, Gross domestic product, expansion, or credit risk.

Tamang (2020) examined the profitability position of the sample bank. This study also looked at the connections between loan and advance, Net Profit, and Total Working Fund in order to determine the predicted values of Garima Bikas Bank Limited's Net Profit, Total Deposit, and Total Investment. The example bank's productivity status is surveyed to be at a palatable level. It suggests that strong financial performance is anticipated in the future. The sample bank's profitability was examined by Sharma (2019), as was the relationship between advances and loans, net profit, total working capital, and the expansion of the bank's operations over time. This investigation revealed that the sample

bank's profitability is satisfactory. The utilization of income-generating loans and advances has increased over the course of the period. Since the NSBI's ongoing proportion doesn't approach 2:1, the organization is satisfying its current commitments.

Neupane (2020) analyzed the key determinants of profitability of Nepalese commercial banks. This study used descriptive statistics to describe the profitability of Nepalese banks and its factors. This study also examined the factors that influence the profitability of Nepalese commercial banks using a panel data regression model (fixed effect model and random effect model). According to ROA, it was discovered that the concentration ratio, banking industry expansion, GDP expansion, inflation, and exchange rate all had a significant negative impact on Nepalese commercial banks' profitability. NIM is largely influenced by the capital adequacy, total branch count, and inflation rate alone. Bank deposits and sufficient capital, according to the study, have a negative effect on banks' return on assets (ROA).

Budathoki and Rai (2020) conducted a research the impact of assets quality, capital adequacy ratio, assets diversification and operating efficiency on banks’ profitability. This study uses bank scope data from eight commercial banks from 2002/03 to 2016/17. Customary least squares relapse models are utilized in this review to survey the connection among's reaction and indicator factors. Bank ROA is used as a proxy for profitability in this study. It was found that the capital sufficiency proportion, working productivity, and resource quality are autonomous factors that essentially lower bank benefit. The findings of the study help legislators and bankers make good decisions that will make banks more profitable.

Mishra, Kandel and Aithal (2021) assessed the impact, contribution and relationship of size, loans and deposit, inflation and capital on the profitability of the banks. Return on assets (ROA), net interest margin (NIM), and return on equity (ROE) have all been found to have a contributing relationship through the use of regression, correlation, and ratio analysis. Bank size has a positive correlation with inflation, ROA, and ROE, but a negative correlation with loan ratio, deposit ratio, and capital ratio, according to this study. While bank size, loan ratio, deposit ratio, and inflation all have positive relationships with NIM, the capital ratio has a negative correlation with NIM.

Poudel (2021) researched an article on a study of profitability analysis of Everest bank limited. The purpose of the study is to evaluate the anticipated values of net profit, total deposit, and total investment, as well as the relationships between loan and advance, net profit, and total working fund. The analysis of profitability ratios is the primary focus of this study, and the findings indicate that the sample bank's profitability condition is satisfactory. The positive connection between's net benefit and credit advance demonstrates that there is a positive connection between the two. It suggests that strong financial performance is anticipated in the future.

Shrestha (2023) analyzed the examining the factors affecting the profitability of commercial banks. This paper has evaluated the determinants of the benefit of business banks working in Nepal. It is estimated how internal and macroeconomic factors affect profitability. A bank's profitability is measured by ROA for this reason. Internal factors include liquidity (LIQ), management efficiency (ME), assets quality (AQ), and operational efficiency (OE), while macroeconomic factors include consumer price index (CPI), interest rate (IR), and broad money supply growth rate (M2). This paper showed that profitability is heavily influenced by macroeconomic and bank-specific factors, as revealed by panel data analysis. Further, this paper tracked down that LIQ, ME, AQ, CPI, and IR significantly impact the productivity of banks working in Nepal. Accordingly, this paper presumed that the bank the board ought to work on its liquidity, proficiency of the executives, and nature of resources for further develop productivity. In a similar vein, the management of the bank can gain from raising CPI and IR to increase profitability.

Mishra and Kandel (2024) investigated on examination of specific factors of the form affecting profitability of commercial banks: a case from Nepal. This study researches the determinants of functional execution in Nepalese business banks, with a specific spotlight on the jobs of capital sufficiency, cost-to-pay proportion, and different execution pointers. The review highlights the essential job of keeping an ideal degree of capital ampleness and cost-to-pay proportion in forming the benefit of business banks. The significance of the liquidity ratio, capital adequacy, and increased capital ratio in enhancing bank performance, particularly in terms of return on assets, is reaffirmed by analysis with one-year lagged variables. The overall performance of a bank is also improved by a higher asset quality. The liquidity ratio, capital-to-assets ratio, investment-to-assets ratio, and quick ratio are all important aspects of effective liquidity management. It is recommended

that commercial banks keep their capital ratios within a predetermined range to avoid having a negative impact on profitability. To improve operational efficiency and customer service, the study suggests making investments in skilled personnel. The study emphasizes how important banks are to the country's development in the larger economic context. It calls for strict supervision, monitoring, and the establishment of a single point of contact for lending and investing. Business banks are urged to exhibit their expected commitment to the public economy by guaranteeing a palatable pace of profit from speculation, effective preparation of investment funds, and vital seriousness.

2.4 Research gap

The profitability analysis of various banks has already been studied by numerous professionals, researchers, and students. Budathoki (2020's) discoveries are restricted, in any case, by the review's particular decisions, broad testing, and fundamental variable changes. Because only one sample and five years' worth of data were used in Bista and Basnet's (2022) study, it was necessary to conduct a new, validating one.

Lamichane (2017); Mishra and Pradhan (2021) have different goals than this study project, in terms of the specific variables, time period, and analytical tools used. To start with, in light of variables remarkable to each bank, the review utilized an information examination model to explore the impacts of bank size, credit to-resource proportion, value to-resource proportion, cash hold proportion, and non-performing credit (NPL) proportion on the productivity of improvement banks. Another significant difference between this study and Gnawali's (2018) study is the more recent time period, ten years of data from sample banks. The usage of novel information examination strategies, for example, factual association investigation and different relapse examination devices, separates this review from (Khan et al., 2016). This examination illustrates how the benefit of business banks is influenced by attributes exceptional to each bank.

CHAPTER-III
RESEARCH METHODOLOGY

The research design, data sources, population and sample, method of analysis, financial indicator definition tools, test of hypothesis, and utilized statistical tools were all discussed in this chapter. To accomplish the goals of the review, the applied procedure has utilized. Research system portrays the methodology, conventions, and procedures utilized in doing explore. It is a guide for arriving at the goal. More right ends and revelations were delivered by suitable and adequate techniques, which in the long run supports proposing serviceable answers for their hunt issues.

3.1 Research design

In order to accomplish the unique objective of the study, a descriptive and causal research method was used to analyze the bank-specific profitability factors. While causal examination configuration has used to analyze the impacts of bank size (for example complete resources), credit to store proportions, value to resource proportions, cash hold proportions, and non-performing advance proportions on return on resources, return on value, and net revenue edge of test banks, expressive examination configuration has utilized for the near investigation of the elements and benefit of test banks.

3.2 Population and sample

Only five development banks—Jyoti Bikas Bank Limited (JBBL), Mahalaxmi Bikas Bank Limited (MLBL), Muktinath Bikas Bank Limited (MNBBL), Garima Bikas Bank Limited (GBBL), and Lumbini Bikas Bank Limited (LUBL)—were chosen as the study's sample based on profit earned and highest home loan giver bank of 2023. There were 17 development banks operating in Nepal as of the date This investigation made use of purposeful sampling.

3.3 Sources of data

A very reliable and useful research tool is data. Secondary data constitute the majority of the study's data. For this study, we collect bank-specific secondary data from the publicly available annual reports of the sample banks. Additionally, relevant data for the research was gathered from previous studies and publications.

3.4 Data analysis tools

The study is completed with the use of a variety of financial and statistical tools, such as descriptive analysis of financial and profitability ratios and correlation coefficient analysis of relationships, as well as regression analysis to investigate the effects of variables on bank profitability. The analysis tools used in the study include:

3.4.1 Statistical tools

Following the social affair of exploration information, such information should be examined to decipher the discoveries. The accumulated information and realities should be handled to bring them down to a functional level. Data processing, which includes editing, coding, categorization, and tabulation, was completed following such processing, statistical analysis, and significant After interpretation, a theory of finding is developed. The analytical analysis makes use of the following statistical tools:

Model Specification

Model 1

$ROA = \beta_0 + \beta_1 LnSize + \beta_2 LDR + \beta_3 EAR + \beta_4 CRR + \beta_5 NPLR + e$

$ROE = \beta_0 + \beta_1 LnSize + \beta_2 LDR + \beta_3 EAR + \beta_4 CRR + \beta_5 NPLR + e$

Where,

ROA = Return on Assets

ROE = Return on Equity

β = Beta coefficient of the regression equation

Ln Size = Logarithm of Total Assets

LDR = Loan to Deposit Ratio

EAR = Equity to Assets Ratio

CRR = Cash Reserve Ratio

NPLR = Non-performing Loan Ratio

E = Residual term of the regression equation

3.5 Research framework

In order to investigate the connection that exists between the dependent variable (ROA) and the independent variables (bank size, loan-to-deposit ratio, equity-to-assets ratio, cash reserve ratio, and NPL ratio), the multiple conceptual framework that follows was assumed. The studies that served as references for this framework are Saeed (2014),

Mahmud, Mallik, Imtiaz, and Tabassum (2016), Ranabhat (2019), Neupane (2019), Mishra, Kandel, and Aithal (2021), and Kosumi and Kosumi (2021). This research framework was described as:

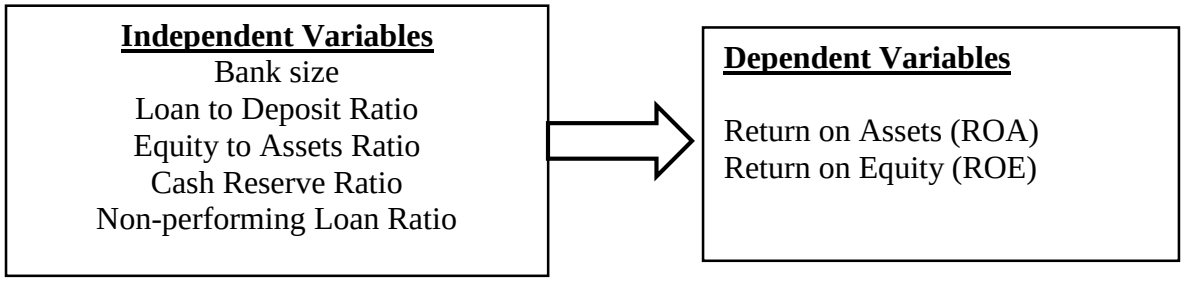

Figure 1

Research Framework

3.6 Variable definition and specification

Loan to deposit ratio

Divide a company's total debt by its total asset value to determine the deposit-to-debt ratio. At the point when an organization's complete obligation to add up to resources proportion is 0.4, banks finance 40% of its resources and proprietors' (investors') value funds the excess 60%.

Total equity to total assets ratio

The amount of reserves and equity a bank has in relation to its total assets is measured by the ratio of total equity to total assets (Saeed, 2014). Looking at the bank's whole value position and the gamble of assurance against investor claims and unexpected misfortunes is the objective of this study's proportion investigation. It is guessed that the all out value proportion, otherwise called the capital sufficiency proportion, will significantly affect monetary execution.

Cash reserve ratio

The cash reserve ratio is calculated by dividing the total deposit of the banks by the cash and bank balance to lower the risk of a bank failing. The bank will be unable to pay its contributors and asset its ordinary installments assuming it has lacking money and bank balance (Kosumi and Kosumi, 2021).

Non-performing loan ratio

This ratio identifies the entire loan and advance portfolio's non-performing assets. An expanded proportion proposes that the bank's resource quality is less than impressive (Mahmud, Mallik, Imtiaz, and Tabassum, 2016). As a result, a lower proportion of non-performing assets to loans and advances is preferable. Up to 5% of the whole credit and advance sum is accessible as NPA. If it rises above 5%, Nepal Rastra Bank must take corrective action.

Return on assets

The ratio is one of the most important indicators of a manager's effectiveness. It demonstrates the bank's resource efficiency (Ranabhat, 2019). The bank's management has used all of its resources to generate profits, according to the ratio. More efficient use of all assets is linked to higher ROA, and vice versa.

Return on equity

The owner's claim to a bank is referred to as equity. The total amount of assets that exceed outsiders' liabilities is called shareholder's equity. Another term for it is net wealth (Budathoki & Rai, 2020). This ratio looks at how well the management has used shareholder money to keep and grow shareholders' net worth. It is a measure of the bank's potential rate of return for shareholders. The proportion empowers the business to create a decent profit from value. This ratio is calculated by dividing net profit by total equity capital.

CHAPTER – IV

RESULTS AND DISCUSSION

The collected data regarding the study's variables are presented in this chapter. Information for every variable has been introduced in isolated figures. To find the solution to the exploration questions, information have been investigated by utilizing different factual measures. To describe the factors that influence capital market growth and prospects, descriptive statistics like mean, median, maximum, minimum, and standard deviation have been calculated.

4.1 Descriptive statistics of variables

Table 2 shows the expressive measurements for the factors used in the examination. The results show that Nepalese banks' profitability indicators of ROE and ROA, in addition to other independent variables like the loan-to-deposit ratio (LDR), bank size (SIZE), non-performing loan ratio (NPLR), equity to assets ratio, and cash reserve ratio, exhibit both minimum and maximum performance measures.

Table 2

Descriptive Statistics of Variable of Sample Banks

Particulars	N	Minimum	Maximum	Mean	S.D.
Cash Reserve Ratio	50	0.02	148.25	17.66	18.94
Bank Size	50	3	80031	19043.24	21327.55
Loan to Deposit Ratio	50	0.18	166.96	74.76	28.84
Equity to Assets Ratio	50	0.02	45.25	12.93	6.53
Non-Performing Loan Ratio	50	0.11	16.18	1.55	2.248
Return on Assets	50	-5.51	29.26	1.28	1.36
Return on Equity	50	-14.29	130.56	12.51	8.56

Source: Appendix – II

The elucidating measurements for the review's free and subordinate factors are shown in Table 2. As per the ROA rundown, the best profit from resources is 29.56 percent, the base is - 5.51 percent, and the typical profit from resources all through the examination period is 1.28 percent with a standard deviation of 1.36 percent. The benefit before revenue and duty partitioned by the complete resources of the bank shows the profit from resources, which demonstrates how well the bank is utilizing its resources for create benefit. 12.51 percent is the ROE mean, which lies between the minimum of -14.29 percent and the maximum of 130.56 percent. Because the ROE is average—between -15

and 50 percent—this is not very satisfying. Despite this, the ROE standard deviation of 8.56 is low.

The liquidity indicator ratio, which is the average cash reserve ratio over the study period and has a high of 148.25 percent and a low of 0 percent, is the first independent variable. The typical proportion has a standard deviation of 18.94 percent. Likewise, the store proportion displays variety, going from 0.32 percent basically to 166.96 percent at the most extreme, with a normal of 74.76 percent and a standard deviation of 28.84. In contrast, the third independent variable equity to assets ratio demonstrates that this ratio ranges from a minimum of 0.02 percent to a maximum of 45.25 percent, with an average of 12.93 percent and a standard deviation of 6.53. From 0.00 to 16.18 percent, non-performing loans were present. Then, at that point, with a low standard deviation of 2.248, the normal net positive lead proportion is 1.55 percent.

4.2 Correlation analysis

A table showing relationship coefficients between factors is known as a connection framework. The relationship between's two matching factors is shown in every cell of the table. Information can be summed up utilizing a relationship lattice. This provides us with a quick overview of the variables that correlate at various levels of significance and strength. The absence of a linear relationship between the two variables is indicated by a correlation value of 0. The connection coefficient between two factors goes from +1, which addresses an ideal positive connection, to - 1, which addresses an ideal negative relationship. In Table 3, the relationship lattice is shown.

Table 3

Pearson Correlation Coefficient of Study Variables

Variables	CRR	Size	LDR	ETA	NPLR	ROA	ROE
Cash Reserve ratio	1						
Bank Size	-.004	1					
Loan to Deposit Ratio	.518**	.426**	1				
Equity to Total Assets	.234*	-.147	.053	1			
Non-Performing Loan Ratio	.033	-.156	-.198	-.130	1		
Return on Assets	-.193	.290**	-.014	.085	-.123	1	
Return on Equity	-.328**	.392**	.118	-.300**	-.045	.357**	1

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

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

Source: Appendix II

Using a correlation coefficient matrix, the independent and dependent variables' results from the correlation test are presented in Table 3. The results show that the cash reserve ratio (CRR) and return on assets (ROA) have an insignificant relationship with a negative correlation coefficient of -0.193 at a significance level of 5%. In addition, the cash reserve ratio and the non-performing loan ratio (NPLR) have a weak positive correlation. The equity to asset ratio also has a weak positive correlation with return on assets (ROA), but it has a strong negative correlation with return on equity (ROE). On the other hand, there is a slight positive connection among's ROE and a slight negative relationship between's ROA with the credit to store proportion. Bank size is also positively correlated with ROE and ROA in a statistically significant way. In particular, there is a significant positive relationship of 0.290 between bank size and ROA, and a critical positive connection of 0.392 between bank size and ROE.

4.3 Regression analysis

This segment analyzes the connection between the reliant variable (ROA) and the autonomous factors (credit to store proportion; LDR); bank size; non-performing advance proportion; value to resources proportion; and money hold proportion; CRR).

Table 4

Model Summary of ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.398a	.481	.301	1.27997	1.321

a. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR

b. Dependent Variable: ROA

For this situation, r2 represents the extent of benefit fluctuation that liquidity can represent. How much the association is trustworthy and the amount it is impacted by the incorporation of free factors is evaluated utilizing changed R-squared. The coefficient of determination (R2) value of 0.159 in the model summary indicates that independent variables like NPLR, CRR, Size, ETA, and LDR account for 15.90% of the variation in dependent variables like ROA. It shows the total variance, or the effect of all independent factors on the dependent variables.

Table 5

ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.965	5	5.193	3.170	.000
	Residual	137.619	44	1.638		
	Total	163.584	49			

a. Dependent Variable: ROA

b. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR

The impact of autonomous factors on subordinate factors is shown in an ANOVA table. According to the findings, the dependent variable, ROA, is significantly influenced by the independent variables NPLR, CRR, Size, ETA, and LDR. The p-value is 0.000, which is less than the 5% level of significance, and the F-value is 3.170, which is high.

Table 6

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-346	.688		-.503	.016
	CRR	-.013	.009	-.187	-1.479	.014
	Size	.456	.156	.342	2.932	.004
	LDR	-.004	.006	-.084	-.606	.044
	ETA	.037	.022	.176	1.666	.009
	NPLR	-.034	.063	-.057	-.543	.050

a. Dependent Variable: ROA

Source: Appendix- IV

Regression analysis output: coefficient

The linear equation of this model is,

$Y = a + b_1CRR + b_2SIZE + b_3LDR + b_4ETA + b_5NPLR + \ldots e$

Net Profit = $-346 - 0.013x_1 + 456x_2 - 0.004x_3 + 0.037x_4 - 0.034x_5$

The coefficient of determination (r2), which is 0.481, indicates that the independent variable accounts for 48.10% of the Net Profit. The negative coefficients of NPLR, CRR, and LDR have been shown to have a negative impact on the dependent variable, ROA. The bank's size is displayed as a free factor in the above table and is genuinely huge on the grounds that its p-esteem is not exactly the importance level of 5%, at 0.005. On the other hand, equity to assets (ETA) is statistically significant at a 5% significance level.

However, CRR, LDR, and NPLR are significant at the 5% significance level, or 0.014, 0.044, and 0.050, respectively. As indicated by the previously mentioned understanding of the relapse model, there is a negative connection between the reliant variable, or net benefit, and a couple of picked free factors, or the non-performing credit proportion (NPLR), cash save proportion (CRR), and advance to store proportion (LDR). On the other hand, there is a positive connection between's the factors value to resources (estimated time of arrival) and bank size.

Table 7

Model Summary of ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.564a	.542	.434	7.28110	1.275

a. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR

b. Dependent Variable: ROE

For this situation, r2 represents the extent of benefit fluctuation that liquidity can represent. Since the changed r2 thinks about the example size, it is a more dependable measurement. How much the association is trustworthy and the amount it is impacted by the incorporation of free factors is evaluated utilizing changed R-squared. The coefficient of determination (R2) value of the model summary is 0.318, indicating that the independent variables (NPLR, CRR, Size, ETA, and LDR) are responsible for 31.80% of the variation in the dependent variables (ROE). It shows the total variance, or the effect of all independent factors on the dependent variables.

Table 8

ANOVA Table

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2073.107	5	414.621	7.821	.000b
	Residual	4453.205	44	53.014		
	Total	6526.312	49			

a. Dependent Variable: ROE

b. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR

The impact of autonomous factors on subordinate factors is shown in an ANOVA table. The independent variables NPLR, CRR, Size, ETA, and LDR have a significant impact on the dependent variables, such as ROE. This is shown by the low p-value of 0.000 and the high F-value of 7.821, both of which are below the 5% level of significance.

Table 9

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.652	3.911		1.189	.023
	CRR	-.183	.052	-.406	-3.556	.001
	Size	2.302	.885	.273	2.601	.011
	LDR	.068	.037	.228	1.834	.050
	ETA	-.226	.125	-.173	-1.812	.047
	NPLR	.130	.361	.034	.360	.027

a. Dependent Variable: ROE

Source: Appendix- V

Regression analysis output: coefficient

The linear equation of this model is,

$Y = a + b_1CRR + b_2SIZE + b_3LDR + b_4ETA + b_5NPLR + \ldots e$

$ROE = 4.652 - 0.183x_1 + 2.302x_2 + 0.068x_3 - 0.226x_4 + 0.130x_5$

According to the coefficient of determination (r2), the independent variable accounts for 54.20%, or 0.542, of the ROE. The negative coefficients of CRR and ETA tend to either increase or decrease the dependent variable, ROE. The bank and money save proportion (CRR) size as an autonomous variable is genuinely huge, as found in the above table, as its p-esteem is underneath than the importance level of 5%, at 0.005. On the other hand, at a 5% importance level, the credit to store proportion (LDR) and the value to resources (estimated time of arrival) proportions are moreover genuinely huge. However, NPLR is significant at the 5% significance level, or 0.027. Some independent variables, like size, the loan-to-deposit ratio (LDR), and the non-performing loan ratio (NPLR), and the dependent variable, ROE, have a positive relationship, according to the regression model interpretation above. However, the variables equity to assets (ETA) and cash reserve ratio (CRR) have a negative correlation.

4.4 Discussions

The primary objective of this study is to investigate the factors that influence the profitability of Nepal's development banks. Liquidity has a direct impact on return on assets, which is one of the primary metrics used to evaluate the profitability of development banks. As per Nimer (2015), who likewise directed research like this review, the financial business will work all the more effectively the higher the liquidity position.

Adedeju and Adeniran (2018) declared that the investment ratio is significantly correlated with net profit. Thus, this study's decisions on the impact of liquidity on productivity are practically identical to those of Ibe (2018), yet they vary from those of Lover and Mishra (2020). In any case, there is an immaterial converse connection among ROA and the credit to store proportion. This is consistent with the findings of Saleh, Afifa, and Murray (2020), who discovered that there was a negligible positive correlation between the loan-to-deposit ratio and the LDR and ROA. Over the course of the study, sample banks exhibit variations in terms of standard deviation variability, consistency, and average equity to assets for each bank. At the bank level, the equity to asset ratios of LUBL and MNBBL are more erratic than those of other sample banks. The average ratios of the sample banks are as follows: 13.29; 10.92; 10.53; 9.73; 9.73; 12.06; 24.36; 9.81; 13.87; and 15.05. As a result, the firm sizes of JBBL, MLBL, and LUBL have tended to grow, while those of MNBBL and GBBL have tended to shrink.

With correlation coefficients of -0.193, indicating a negative connection at the 5% significance level, the cash reserve ratio (CRR) and ROA have an insignificant relationship. Paul et al. reported this finding in a previous study. (2021); Murray, Saleh, and Afifa (2020). According to Saleh, Afifa, and Murray's (2020) findings, there is also a negligible negative relationship between ROA and the loan to total deposit ratio. Then, there is a significant positive connection between store proportion and ROE, which is steady with the discoveries of Paul et al. (2021) and Menicuccl and Paolucci (2016), yet a unimportant positive relationship between's store proportion and ROA, which upholds the discoveries of Ibrahim (2017). According to Bhattarai's (2016) findings, the correlation between bank size and ROA is -0.290, indicating a significant negative correlation. Similar to the findings of Saleh, Afifa, and Murray (2020) and Ranabhat (2019), the correlation between bank size and ROE is significant negative.

According to Nourrein and Mennawi (2020) and Al-Husainy and Jadah (2021), regression analysis revealed that LATD had a positive but negligible effect on ROA. This finding is consistent with previous research. This result is consistent with Wuave, Yua, and Yua (2020), Zidan (2020), Ibrahim (2017), and Dawood's findings that the deposit ratio has a positive but negligible effect on ROA in the interim. The credit to store proportion then impacts ROA at the 1% level, which is in struggle with Ibrahim's (2017) discoveries however predictable with the finishes of prior observational examinations by Budhathoki et al. (2020). Regression analysis confirms the findings of Al-Husainy and Jadah and Nourrein and Mennawi (2020) that LATA has a positive but negligible effect on ROA. Store proportion, in the meantime, irrelevantly affects ROA; this outcome is in accordance with Wuave, Yua, and Yua (2020); Zidan (2020); Ibrahim (2017); and Dawood (2014). At the 1% level, then, the loan-to-deposit ratio has a negative and significant impact on ROA. This contrasts with Ibrahim's (2017) findings but is in line with the findings of earlier empirical investigations by Budhathoki et al. (2020).

In ROE regression, the dependent variable tends to rise or fall with negative CRR and ETA coefficients. The bank and cash reserve ratio (CRR) size is statistically significant as an independent variable, as shown in the table above. Menicuccl and Paolucci (2016), Budhathoki et al. (2020), and Paul et al. share these findings. (2021). In addition, both the equity to assets (ETA) ratio (LDR) and the loan to deposit ratio (LDR) are statistically significant, which is consistent with the findings of earlier empirical research conducted by Wuave, Yua, and Yua (2020). However, NPLR is not significant even at the 10% significance level, which contradicts Emmanual and Stephen's (2020) conclusions but supports Saha and Bishwas's (2019) findings. This is in line with the findings of San and Heng (2012), who discovered a positive relationship between the dependent variable, ROE, and a few independent variables like size, the loan to deposit ratio (LDR), and the non-performing loan ratio (NPLR). However, the variables equity to assets (ETA) and cash reserve ratio (CRR) have a negative correlation.

CHAPTER – V

SUMMARY AND CONCLUSION

This part presents the concise synopsis of the whole review and features the significant discoveries of study. Furthermore, the significant ends are talked about in discrete part of this section which is trailed by some ramifications with respect to the bank explicit determinants on benefit of Nepalese improvement banks. The review center was to decide the determinants of productivity of improvement banks.

5.1 Summary

If a bank's pool of liquid assets is large enough to cover its liabilities, it is said to be in a suitable liquidity situation. Working gamble might perform ineffectively because of restricted liquidity. Consequently, the financial business overall might perform wastefully and with low productivity because of the great liquidity. It could lead to bank performance failure over the long term. Development banks are hurt when there is a high liquidity crisis and when there is too much liquidity. The policies of the government, development banks, common citizens, and the central bank determine the level of liquidity in the economy at any given time. The instructions given by the central bank to preserve the money standard. How much cash should the commercial bank put into investments, hold in liquid assets, and lend out?

This chapter covers the study's background and subject matter. The study's history, problem description, aims, justification, and limitations are all laid out in the research introduction. The relevant literature regarding the theoretical foundations of banking principles, as well as journals, papers, and previous theses, has been reviewed in the second chapter. The exploration strategies used to assess the benefit and liquidity of the advancement banks under assessment are canvassed in the third section. The fourth part presents, evaluates, and deciphers the information utilizing measurable and monetary procedures. The summary, conclusion, and recommendations of the study are ultimately provided in the fifth and final chapter.

This study's essential objective is to look at the factors affecting Nepal's advancement banks' productivity. The remaining specific objectives include assessing the development banks' profitability and liquidity positions, as well as their profitability position and the

impact of a variety of factors on their profitability, such as bank size (i.e. total assets), loan-to-asset ratios, equity-to-asset ratios, cash reserve ratios, and non-performing loan ratios. The absolute latest data, insights, and worries about non-performing advances and credit misfortune provisioning will be given by this exploration. As a result, this study will be useful to investors, bankers, depositors, students, and future scholars. In this manner, it is urgent to remember that most of bank disappointments overall are brought about by the decrease in the worth of advances and credits. The study's objective is to compare the non-performing loans (NPLs) of Nepali development banks to international standards. Also, it will analyze the improvement banks' NPL levels. It will dispel some of the public's misconceptions regarding the non-performing assets of development banks.

Most of the optional material utilized in this study came from freely available reports, books that were distributed, unpublished reports, articles composed by different writers, yearly reports from the picked banks, etc. This study has included five samples from the seventeen development banks. The information and data utilized in this study range simply 10 years. Three examples were utilized in my examination: one was a purposive example, while the other specialist utilized bunch testing. This measurable instrument examinations information from the monetary years 2013-14 to 2022-2023.

The methodology has been carried out using a descriptive research design; however, previous researchers employed generalized methodology. Last but not least, this investigation reveals a significant correlation between a few development banks' dependent and independent variables. Additionally, while CDR, NPLR, and LLPR have little impact on return on assets, they have a significant impact on return on equity. In a similar vein, profitability is not significantly different from that of CDR, NPLR, or LLPR.

To achieve the specific objective of the study, descriptive and causal comparison research has been carried out. Descriptive design is used to look at the past and present of liquidity and profitability. To work out the impact of liquidity on the benefit of Nepal's improvement banks, a causal report configuration is utilized. This investigation relied on secondary data. The data is gotten from the connected office's yearly reports for a ten-year time frame, beginning in 2013/14 and finishing in 2022/23. Each of the 17 advancement banks that are as of now recorded and carrying on with work in Nepal make up the populace information remembered for this review. The sample is made up of five

development banks: JBBL, MNBBL, LUBL, GBBL, and MLBL. In the ongoing setting, these banks rank among the main 5 regarding benefit.

There is a slight however good connection among's LDR and ROA in the credit to store proportion. Over the course of the study, sample banks exhibit variations in terms of standard deviation variability, consistency, and average equity to assets for each bank. The value to resource proportion of LUBL and MLBL is more unpredictable at the bank level than it is in other example banks.

5.2 Conclusion

In conclusion, the purpose of this dissertation was to investigate the specific bank-specific factors that influence the profitability of Nepalese development banks in Nepal using correlation and regression analysis. A regression analysis revealed that profitability and the independent variables have a general positive and significant relationship. The bank size, loan to deposits, equity to assets, cash reserve, and non-performing loan ratios are all statistically significant at the standard significance level of = 0.05. The entire model's F-statistic is statistically significant.

As indicated by the outcomes, the proportion of credits and advances to add up to resources emphatically affects return on resources (ROA), Store rate usefully affects ROA. The advance to store proportion altogether brings down return on resources (ROA). As an independent variable, the bank's size and the cash reserve ratio (CRR) are statistically significant. Additionally, both the equity to assets (ETA) ratio and the loan to deposit ratio (LDR) are statistically significant. However, NPLR is not significant even at the 10% significance level.

5.3 Implications

The following suggestions were made in light of the research's findings:

- This study draws specific conclusions regarding the marginal impact of liquidity indicators on profitability. It so flags the requirement for restorative move to be initiated by controllers, strategy producers, and bank the board.
- The various participants' financial decisions regarding whether or not to deposit their excess funds with development banks and other lenders can be influenced by

the findings. This may also be helpful in determining whether banks are able to return investor funds when necessary. To forestall productivity vulnerability, banks should keep a sensible liquidity position.

- According to the study, banks, individuals, businesses, and the economy as a whole would benefit from an efficient management of banks' liquidity. This is because a variety of factors, including liquidity, affect banks' profitability. As a result, the financial sector's well-being in the economy and the community as a whole improves.
- This study is significant in light of the fact that it tends to the greatest monetary dangers that Nepalese improvement banks experience in both their short-and long haul cycles. In addition, policymakers and decision-makers in Nepal's financial sector may benefit from the study in managing the aforementioned risks.
- The research also prompts management of development banks to reflect on their own past actions and offers direction for their upcoming plans and initiatives. Some of the most recent data, challenges, and information regarding liquidity may be provided by this study. Accordingly, investors, investors, contributors, as well as future researchers and understudies, will view this concentrate as critical.
- Findings in subsequent studies may be more reliable if the study's duration and sample size are increased. It is essential to investigate the effects that other macroeconomic factors and liquidity proxies, such as the current ratio, investment ratio, loans to total deposits, and cash ratio, have on profitability.

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APPENDICES

APPENDIX – I

Essential Information of Jyoti Bikas Bank Limited

(Rs. in million)

Jyoti	Year	Total Loan	Total Deposit	Net Profit	Total Equity	NPL	ROA	ROE
2070/71	2013/14	3296	3927	70	847	-	1.73	8.26
2071/72	2014/15	418	5185	63	906	-	1.86	6.95
2072/73	2015/16	472	6333	103	1005	0.01	2	10.25
2073/74	2016/17	699	7677	152	1157	0.65	2.21	13.14
2074/75	2017/18	8977	10516	228	2552	0.96	1.73	8.93
2075/76	2018/19	15877	19554	296	2881	0.4	1.48	10.27
2076/77	2019/20	24774	36314	488	4504	0.54	1.46	10.83
2077/78	2020/21	29719	25995	531	4007	0.92	1.15	13.25
2078/79	2021/22	42915	53793	670	5637	0.84	1.11	11.89
2079/80	2022/23	48336	61220	302	5782	3.43	0.41	5.22

(Source: Annual report of JBBL)

Essential Information of Garima Bikas Bank Limited

(Rs. in million)

Garima	Year	Total Loan	Total Deposit	Net Profit	Total Equity	NPL	ROA	ROE
2070/71	2013/14	3458	4015	104	523	0.12	0.02	19.89
2071/72	2014/15	5438	6358	144	973	0.29	0.02	14.80
2072/73	2015/16	7909	9228	222	1203	0.31	0.02	18.45
2073/74	2016/17	12835	293487	349	2829	0.24	0.02	12.34
2074/75	2017/18	18619	21221	470	3167	0.27	0.02	14.84
2075/76	2018/19	28211	29762	594	3791	0.2	1.53	15.67
2076/77	2019/20	34862	42433	577	4347	0.79	1.15	13.27
2077/78	2020/21	51687	63902	836	5348	0.72	1.15	15.63
2078/79	2021/22	58046	68410	1030	6597	0.85	1.29	15.61
2079/80	2022/23	62891	74413	1265	7803	1.70	1.42	16.21

(Source: Annual report of GBBL)

Essential Information of Mahalaxmi Bikas Bank Limited

Mahalaxmi	Year	Total Loan	Total Deposit	Net Profit	Total Equity	NPL	ROA	ROE
2070/71	2013/14	5548	9927	248	1334	16.18		
2071/72	2014/15	6554	10861	334	1411	8.33	2.69	23.67
2072/73	2015/16	8367	25137	444	3436	4.1	1.52	12.92
2073/74	2016/17	19962	27277	507	3790	3.91	1.59	13.38
2074/75	2017/18	20443	26751	521	4199	3.92	1.59	12.41
2075/76	2018/19	26157	30591	658	4669	2.59	1.73	14.09
2076/77	2019/20	29438	36977	403	4787	3.21	1.39	8.42
2077/78	2020/21	30151	38686	660	5579	2.8	1.55	11.83
2078/79	2021/22	34913	42848	905	6308	2.43	1.65	14.35
2079/80	2022/23	42875	51471	377	6445	3.51	0.61	5.85

(Source: Annual report of MLBL)

Essential Information of Muktinath Bikas Bank Limited

Muktinath	Year	Total Loan	Total Deposit	Net Profit	Total Equity	NPL	ROA	ROE
2070/71	2013/14	4377	5198	104	595	0.45	2.52	17.48
2071/72	2014/15	6625	7781	218	972	0.19	2.42	22.43
2072/73	2015/16	9799	11277	361	1344	0.09	2.79	26.86
2073/74	2016/17	15159	293487	349	2828	0.02	2.49	12.34
2074/75	2017/18	25003	21221	442	3167	0.27	1.28	13.96
2075/76	2018/19	28439	29762	856	4449	0.2	1.65	19.24
2076/77	2019/20	35144	42433	707	5818	0.79	1.07	12.15
2077/78	2020/21	53662	63902	1156	5348	0.72	1.15	15.63
2078/79	2021/22	60892	68410	1342	6596	0.85	1.29	15.62
2079/80	2022/23	63724	70487	1248	9363	0.98	0.95	13.33

(Source: Annual report of MNBBL)

Essential Information of Lumbini Bikas Bank Limited

Lumbini	Year	Total Loan	Total Deposit	Net Profit	Total Equity	NPL	ROA	ROE
2070/71	2013/14	4069	4787	300	597	4.87	-5.11	50.25
2071/72	2014/15	3737	4676	158	690	2.5	2.89	22.90
2072/73	2015/16	5208	6474	158	848	7.9	2.12	18.63
2073/74	2016/17	14952	17905	179	2735	3.79	0.82	6.54
2074/75	2017/18	17704	22182	302	3217	3.34	1.22	9.39
2075/76	2018/19	21144	21496	621	4208	1.64	2.07	14.76
2076/77	2019/20	24320	28059	378	4444	2.69	1.1	8.51
2077/78	2020/21	29673	36371	434	5294	2.17	0.98	8.20
2078/79	2021/22	38068	42874	637	5730	1.7	1.12	11.12
2079/80	2022/23	42285	48571	498	6217	3.36	0.85	8.01

(Source: Annual report of LUBL)

APPENDIX - II

Correlations

		CRR	Size	LDR	ETA	NPLR	ROA	ROE
CRR	Pearson Correlation	1	-.004	.518**	.234*	.033	-.193	-.328**
	Sig. (2-tailed)		.970	.000	.027	.760	.069	.002
	N	90	90	90	90	90	90	90
Size	Pearson Correlation	-.004	1	.426**	-.147	-.156	.290**	.392**
	Sig. (2-tailed)	.970		.000	.166	.141	.005	.000
	N	90	90	90	90	90	90	90
LDR	Pearson Correlation	.518**	.426**	1	.053	-.198	-.014	.118
	Sig. (2-tailed)	.000	.000		.617	.061	.894	.266
	N	90	90	90	90	90	90	90
ETA	Pearson Correlation	.234*	-.147	.053	1	-.130	.085	-.300**
	Sig. (2-tailed)	.027	.166	.617		.222	.426	.004
	N	90	90	90	90	90	90	90
NPLR	Pearson Correlation	.033	-.156	-.198	-.130	1	-.123	-.045
	Sig. (2-tailed)	.760	.141	.061	.222		.248	.676
	N	90	90	90	90	90	90	90
ROA	Pearson Correlation	-.193	.290**	-.014	.085	-.123	1	.357**
	Sig. (2-tailed)	.069	.005	.894	.426	.248		.001
	N	90	90	90	90	90	90	90
ROE	Pearson Correlation	-.328**	.392**	.118	-.300**	-.045	.357**	1
	Sig. (2-tailed)	.002	.000	.266	.004	.676	.001	
	N	90	90	90	90	90	90	90

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

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

(Source: Calculation from SPSS)

APPENDIX – III

Impact of NPLR, CRR, Size, ETA, LDR on ROA

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.398a	.481	.301	1.27997	1.321

a. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR
b. Dependent Variable: ROA

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.965	5	5.193	3.170	.000
	Residual	137.619	44	1.638		
	Total	163.584	49			

a. Dependent Variable: ROA
b. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.346	.688		-.503	.016
	CRR	-.013	.009	-.187	-1.479	.014
	Size	.456	.156	.342	2.932	.004
	LDR	-.004	.006	-.084	-.606	.044
	ETA	.037	.022	.176	1.666	.009
	NPLR	-.034	.063	-.057	-.543	.050

a. Dependent Variable: ROA

(Source: Calculation of SPSS)

Impact of NPLR, CRR, Size, ETA, LDR on ROE

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.564a	.542	.434	7.28110	1.275

a. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR
b. Dependent Variable: ROE

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2073.107	5	414.621	7.821	.000b
	Residual	4453.205	44	53.014		
	Total	6526.312	49			

a. Dependent Variable: ROE
b. Predictors: (Constant), NPLR, CRR, Size, ETA, LDR

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.652	3.911		1.189	.023
	CRR	-.183	.052	-.406	-3.556	.001
	Size	2.302	.885	.273	2.601	.011
	LDR	.068	.037	.228	1.834	.050
	ETA	-.226	.125	-.173	-1.812	.047
	NPLR	.130	.361	.034	.360	.027

a. Dependent Variable: ROE
(Source: Calculation of SPSS)

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ABSTRACT

The purpose of this study was **to examine the** bank- **specific variables**

influencing Nepal's development banks' profitability. Research using both descriptive and causal comparison methods has been conducted in order to meet the specific goal of the study. Panel data from Nepal's development banks spanning ten years, from 2013–14 to 2022–23, is used in the study. The independent variables include bank size,

loan to deposit ratio , equity **to** asset **ratio** , cash reserve ratio, **and non-performing loan**

ratio (NPL ratio), whereas the dependent variable is profitability (ROA and ROE), which measures liquidity. We have utilized secondary data for this investigation. One important analytical approach in panel data analysis is ordinary least square regression (OLS). The ratio of loans to total assets and ROA are significantly positively correlated. The size of the bank also affects ROA negatively. The relationship between ROA and the cash reserve ratio, NPL ratio, total equity to assets ratio, and cash reserve ratio is negligible. According to the regression analysis, the independent variable, the size of the bank and cash reserve ratio (CRR), is statistically significant. In addition, loan to deposit ratio (LDR) and equity to assets (ETA) are statistically significant when combined with ROE.

Keywords: Profitability, Development Banks, ROE, ROA, Liquidity. xi