FINANCIAL ANALYSIS OF COMMERCIAL BANKS

A Dissertation submitted to the Office of the Dean, Faculty of Management, in partial fulfilment of the requirement for the Degree of Master of Business Studies

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **Financial Analysis of Commercial Banks.** The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor has it been proposed as a part of requirements for any other academic purpose. The assistance and cooperation that have received during this research work has been acknowledge. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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ABBREVIATIONS

CAR	Capital Adequacy Ratio
CRR	Cash Reserve Ratio
NSBL	Nepal SBI Bank Limited
PCBL	Prime Commercial Bank Limited
RBBL	Rastriya Banijaya Bank Limited
ROA	Return on Assets
ROE	Return on Equity
Sig	Significant
SPSS	Statistical Package for Social Science
TU	Tribhuvan University

ABSTRACT

The present study focuses on the determinants of profitability in Nepalese Commercial bank. The researcher made use of financial instruments to make this Investigations more effective and educational. To achieve this goal, quantitative research approach was used. The researcher has used financial instrument in order to make this study more effective and educational. Data from RBB, NSBL and PCBL were utilized in this study, which took place between 2013/14 and 2022/23 and covered a 10 years period from 2013. The researcher has tried to combine the findings of Financial Analysis of sample commercial banks that were utilized in the study in this section. From the result it can be concluded that liquidity ratio, capital adequacy ratio, assets quality, efficiency ratio have a positive relationship with profitability of sample commercial bank.

Key Points: *Capital Adequacy Ratio, management efficiency, assets quality, Efficiency Ratio*

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

The banking industry is crucial to the health of the financial markets and has a big influence on economic growth. A bank's sound financial standing provides a guarantee to its depositors as well as to its shareholders, staff, and the whole economy. In response to this dictum, attempts have occasionally been made to assess each bank's financial standing and administer it in an efficient and effective manner (Sangmi & Nazir, 2010). Assessing a bank's performance is an important issue that may be looked at in a number of ways. The banking industry's development, which is seen as the cornerstone of every nation's economy, is one of the primary indicators of that growth's financial stability, and an examination of its structural components is an essential first step in identifying the problems and challenges that the nation faces (Prodanovetal, 2022, Sangmi & Nazir, 2010).

The success of commercial banks can be impacted by both external and internal variables. While external factors are classified as microeconomic variables, internal factors are especially tied to banks. Internal factors are particular characteristics of the bank that have an impact on the performance of the bank. These characteristics are mostly affected by internal decisions made by the management and board. External variables that affect a sector's or a country's profitability are those that are outside the control of the firm (Ongore & Kusa, 2013).

For the economy to function, the financial intuitions' performance must be measured. The economy is built on the backs of financial institutions. One may predict the general direction and performance of a nation's economy by looking at the status of its banking industry. The nation's economy is always directly impacted by the banks' performance. There are several categories into which banks can be divided, including commercial, development, financial, and cooperative. These banks and other financial organizations primarily serve as financial brokers, enabling lending and borrowing by the general people (Gautam 2020; Kandel, 2019).

The health of an economy and the presence of banks and other financial institutions are critical to any nation's ability to prosper economically. As financial intermediaries, banks provide a range of financial services to its direct and indirect stakeholders (Naushad, 2021).

Though the concept of profitability varies throughout studies, the experimental investigation of the elements influencing bank performance has been extensive. The majority of banking resources have demonstrated that a company's internal and external surroundings are important drivers of excellent performance, even if the bulk of them have concentrated on profitability indicators. A collection of factors influenced by decisions made by the bank's management might be referred to as an internal driver of profitability or performance. The way financial institutions operate will surely be impacted by such management influence. Even while good management practices lead to superior bank performance, it is difficult, if not impossible, to evaluate management quality directly.

Indeed, it is assumed implicitly that the operational performance of the system in question would exhibit such a feature. Therefore, assessing a bank's performance based on the financial elements included in financial statements, such the income statement and balance sheet, is not a standard practice for determining how well the bank is doing. The factors that affect a bank's profitability but are not under the management's control are known as external drivers. They are a reflection of events that are not under the bank's control. However, the administration of the institution can make an effort to anticipate changes in the outside world and set up the institutions to seize any fresh chances that present themselves. The two primary constituents of the external determinants are variables related to macroeconomics and factors that impact the financial structure. Because of this, the drivers that this study looks at are those that are either profitability determinants or internal to the company.

1.2 Statement of Problem

While Wood's (2003) analysis revealed a negative link between loan and bank profitability, Sehrish Gute et al.'s (2011) study demonstrates that total loan and advance effect bank profitability favorably. While a study by Necear (2003) found a positive relationship between bank expenses and profitability, a study by Obamuyi

(2013) found a negative relationship between operating expenses and profitability. Meanwhile, a study by Belayneh (2011) found a positive and direct relationship between a bank's capital strength and profitability.

Zerihun (2021) looked into how several bank-specific characteristics affected the profitability of a particular commercial bank in Ethiopia.The study determined that while bank size, capital ratio, and management effectiveness were independent variables, return on assets was a dependent variable. In order to accomplish the goals, the researcher gathered secondary data from eight sample commercial banks in the form of audited financial statements. This allowed them to examine the impact of certain bank-specific characteristics on profitability over a six-year period, from 2013 to 2018. Purposive sampling was used to choose sample banks from among the total of 17 commercial banks that were in operation. In order to achieve its goal, this study used a panel data research design and an explanatory methodology. The random effect model has been used to examine the gathered data. model of panel data analysis . The study's findings indicate that while bank size has a negative relationship with profitability, capital ratio and management effectiveness have a favorable relationship. The profitability of banks is strongly impacted by bank size, insignificantly favorably by capital ratio, and significantly positively by management efficiency. From the variables in the model, it is determined that the primary factor influencing profitability is managerial efficiency.

All of the above-mentioned concerns about the performance in general and profitability in particular of the banking industry demand a thorough analysis. Furthermore, a gap in the research about profitability and the relationship between profitability and internal and external determining factors has to be addressed; this gap will be covered in the next chapter. Therefore, by analyzing the unexplored and replicating the current in the Nepalese context using data from ten commercial banks operating in the nation with a ten-year historical perspective, this study seeks to close the information gap by providing comprehensive information about the internal and external factors that influence.

- What are the main bank specific factors that affect the profitability in sample commercial bank?
- What is the relationship between bank specific internal variables and profitability of sample commercial banks?
- What is the impact of bank specific internal variables on profitability of sample commercial bank?

1.3 Objectives of the study

This study's main goal is to evaluate, investigate, and assess the sample commercial bank's profitability. The study's other particular goals are as follows:

- To assess the bank's specific factors that affects the profitability of sample commercial banks.

- To examine the Relationship between bank specific internal variables and profitability of sample commercial banks.

- To analyze the impact of bank specific internal variable on profitability of sample commercial banks.

1.4 Rationale of the study

Finding the internal factors that affect the profitability of commercial banks throughout Nepal is the main objective of this study. It is thus expected that this study would provide actual data about the profitability (financial performance) of the nation's commercial banks. In order to take the required action to enhance their company's performance and make the best judgments possible, administrators who wish to identify success and failure indicators might benefit from this research.

The government will benefit from the research as it wants to know which businesses are successful and which ones have not taken the necessary precautions to keep these enterprises from going bankrupt. Investors that are interested in comparable studies to protect their capital and steer it toward the greatest investments will also benefit from

this research. The results of this study would be beneficial to participants who are curious in how commercial banks can deposit money based on a company's performance indicators. This study will significantly advance our understanding of the factors influencing the financial performance and profitability of financial institutions, particularly Nepal's commercial banks. This research is important because it gives bank managers, business specialists, business initiatives, and policymakers a stronger base on which to work.

1.5 Limitations of the Study

- The study has some restrictions. The following are the study's primary shortcomings.

- Three commercial banks were selected as a sample for the study: Nepal SBI Bank Limited, a joint venture, Prime Commercial Bank Limited, which is privately held, and Rastriya Banijya Bank, which is entirely controlled by the government.

- This analysis disregards other financial considerations in favor of focusing just on profitability.

- Only certain financial and statistical tools and approaches were employed in this investigation.

- For secondary data, only 10 years of data, from 2013–14 to 2022–23, were taken into account.

- The banks' annual report provides secondary data, which is the sole source of information regarding data dependability.

CHAPTER-II
LITERATURE REVIEW

Financial institutions' operations and profitability are influenced by a number of factors. This chapter's specific objective is to evaluate the literature on banks and their drivers. an analysis of earlier research on bank profitability and factors influencing it in Nepal and other nations.

2.1 Theoretical Review

The fundamental ideas and concepts pertaining to the financial performance of commercial banks are covered in this part.

2.1.1 The Efficiency Theory

Efficiency theory, as initially established by Jensen and Meckling (1976), provides the basic theoretical explanation for the relationship between ownership structure and profitability. Their research clarifies why managers choose different activities for companies with different financial structures. Both parties have different needs and interests in a principal-agent relationship, which is a partnership between owners and managers. Given the circumstances, there is a strong theoretical argument for the relationship between ownership structure and profitability. Capital market discipline may increase the owner's capacity to exert control over management, giving bank managers greater motivation to operate profitably and efficiently. Their findings, which follow Jensen and Meckling (1976), have implications for bank profitability and imply that performance is influenced by ownership structure and corporate governance framework. According to Macharia (2016), banks that possess stricter and more ethical owners are expected to exhibit higher profitability compared to mutual, cooperative, or state-owned banks.

Conversely, the efficiency hypothesis postulates that banks' high profits are a result of their superior efficiency. Additionally, there are two distinct approaches to efficiency: the Scale-efficiency and X-efficiency theories. The X-efficiency notion states that because more efficient businesses have lower overhead, they are more profitable. These companies typically get larger market shares, which can be reflected in more

concentrated market levels, but there is no proof that concentration and profitability are causally related (Athanasoglou et al. 2006). Economies of scale are prioritized by the scale approach above variations in manufacturing technology or management. Larger businesses can take advantage of economies of scale to achieve reduced unit costs and larger profits. This makes it possible for big businesses to gain market shares, which might lead to a greater concentration and eventually profitability. According to this theory, a bank with lower operating expenses than its rivals makes more money when it runs more effectively. With a significant market share, the same bank dominates. As a result, disparities in efficiency lead to an uneven allocation of jobs in the market and a high degree of concentration (Macharia, 2016).

2.1.2 The Portfolio Theory

In bank performance studies, the portfolio theory approach is the most useful and significant (Nzongang & Atemnkeng 2006). The Portfolio Balance Model of asset diversification states that the optimal holding of each asset in a wealth holder's portfolio depends on policy decisions made based on a variety of factors, including the size of the portfolio, the vector of risks associated with owning each financial asset, and the rates of return on all the assets held in the portfolio. It implies that the planned portfolio composition and portfolio diversification of commercial banks are the results of decisions taken by bank managementFurthermore, the management's determined viable set of assets and liabilities as well as the bank's unit expenditures for developing each asset's component are what determine the capacity to make maximum profits (Nzongang & Atemnkeng 2006).

2.1.3 The Market Power Theory

According to Tregena (2009), the market power theory in banking is based on evidence that the industry's market structure affects a bank's performance. Within the framework of market power theory, there are two distinct approaches: the Structure-Conduct-Performance (SCP) hypothesis and the Relative Market Power (RMP) hypothesis. The SCP technique states that the degree of concentration in the banking sector leads to banks' potential control of the market, which might mean increased profits for the involved institutions. The likelihood of "abnormal profits" is higher for

banks operating in more concentrated markets than for businesses operating in less concentrated industriesdue to their capacity, regardless of efficiency, to impose monopolistic or collusive (explicit or implicit) reasons that result in lower deposit rates and higher lending rates (Tregenna 2009). Unlike the SCP hypothesis, the RMP hypothesis suggests that market share has an effect on bank profitability. It is based on the notion that the only banks that can affect pricing and profitability are large ones that provide distinctive products. They possess the capacity to control markets and make money off of other companies' losses (Tregenna 2009).

2.1.4 Trade Off Theory

Bank profitability may also be impacted by the balance sheet structure; hence, the equity-to-asset ratio is a crucial balance sheet metric that has drawn a lot of attention. Theoretical ideas provide several ways in which this ratio is related to profitability. The Modigliani & Miller theorem states that there is no connection between a bank's market value and its capital structure, which includes both debt and equity financing (Modigliani & Miller 1958). The equity-to-asset ratio in this instance has no impact on financing costs or profitability. Therefore, there may be a likely reason for a negative relationship when the perfect market does not hold. According to financing theory, entities would only take on more risk when projected returns will grow; otherwise, taking on more risk has no advantages. Increasing risks may be achieved by increasing leverage and reducing the equity-to-asset ratio (raising leverage).

The risk-return trade-off is the name given to this theoretical justification (Ommeren 2011). The converse relationship—that is, that a larger equity-to-asset ratio boosts profitability—also has theoretical justifications. The signaling and bankruptcy cost theories serve as the foundation for these ideas. According to the first theory, a larger equity ratio indicates to the market that a bank is valuable (Berger 1995b). Banks with lower profitability are unable to generate this kind of signal since it would worsen their financial results. In this sense, a lower leverage ratio suggests that banks outperform their rivals who are unable to obtain capital without further hurting their profitability. The latter theory contends that a bank should retain more equity when the cost of bankruptcy is unexpectedly large. avoid period of distress (Berger 1995).

2.2 Empirical review

Numerous research studies have been conducted worldwide about the financial performance of commercial banks. The majority of studies use microeconomic, industrial, and bank variables to assess a bank's performance. The researcher examines financial performance in relation to papers and theses in this part.

The authors of "Financial performance of commercial banks in India": application of the camel model are Sangmi and Nazir (2010). A bank's sound financial standing provides a guarantee to its depositors as well as to its shareholders, staff, and the whole economy. In response to this adage, attempts have occasionally been made to assess each bank's financial standing and administer it in an efficient and effective manner. An attempt has been made to assess the financial performance of the main northern Indian banks in this study. The most recent financial analysis model, camel Parameters, was used to do this review. This model makes it clear that the banks under investigation are in a sound and satisfying condition in terms of their capital adequacy, asset quality, managerial capacity, and liquidity.

A research titled "A financial ratio Analysis of commercial banks performance in South Africa" was carried out by Kumbirai and Webb (2010). This study examined the 2005–2009 performance of the commercial banking industry in South Africa. Five sizable commercial banks with headquarters in South Africa are evaluated based on their profitability, liquidity, and credit quality using financial parameters. According to the report, throughout the first two years of the examination, there was a significant rise in overall bank performance. When the global financial crisis struck in 2007, there was a noticeable shift in the pattern that peaked in 2008–2009. This led to declining profitability, poor liquidity, and declining loan quality in the banking industry in South Africa.

Almazari (2011) conducted a research on the 2005–2009 financial performance of a few chosen commercial banks in Jordan. It is an evaluator by nature, obtaining information sources from secondary data. Financial ratios and variables provide the foundation for the analysis of banks' financial performance. In order to determine the influence of the independent variables—bank size, asset management, and operational

efficiency—on the dependent variable, the financial performance of seven chosen Jordanian commercial banks was analyzed using simple regression in this study. Return on assets and magnitude of interest income serve as indicators of financial performance. It was discovered that banks' financial performance is not necessarily correlated with their total deposits, loans, assets, and shareholders' equity.. Additionally, a strong connection was seen between financial performance and asset size, asset utilization, and operational efficiency. Regression analysis further supported the finding that these independent characteristics had a significant impact on financial performance. Bank managers may find this study useful in enhancing their financial performance and developing policies that will support a stable financial system. The report also suggests actions that banks should take to guarantee the stability of their business operations.

A research titled "A comparison of financial performance of commercial banks" was carried out in 2012 by Jha and Hui. The goal of this study was to determine the performance determinants revealed by the financial ratios, which were based on the CAMEL Model, and to compare the financial performance of various ownership structured commercial banks in Nepal based on their financial features. Financial data for eighteen commercial banks was studied from 2005 to 2010. Furthermore, the impact of the capital adequacy ratio, non-performing loan ratio, interest expenses to total loan, net interest margin ratio, and credit to deposit ratio on the financial profitability, or return on assets and return on equity of these banks, was estimated using an econometric model (multivariate regression analysis) by creating two regression models. The findings indicate that while local private banks are just as efficient as foreign-owned (joint venture) banks, public sector banks are noticeably less efficient than their counterparts. Additionally, the estimation findings show that the capital adequacy ratio had a large impact on return on equity, but it had no effect on return on assets. Interest expenditures to the total loan and net interest margin also had a significant impact.

An essay titled "Determinants of financial performance of commercial banks in Kenya" was written in 2013 by Ongore and Kusa. To close this stark gap in this important field of research, there are few studies on the moderating influence of ownership structure on bank performance. The authors estimated the parameters using

a linear multiple regression model and generalized least square on panel data. With the exception of the liquidity variable, the results demonstrated that bank-specific characteristics had a considerable impact on Kenya's commercial banks' performance. However, at the 5% significance level, the total impact of the microeconomic factors was deemed inconclusive. Ownership identity has a negligible moderating effect on commercial banks' financial performance. Thus, it can be said that management and board choices mostly influence the financial performance of Kenyan commercial banks, with macroeconomic considerations playing a minor role.

Adhikary, Yousuf, and Rahman (2014) The main players in Bangladesh's financial and economic growth are banks, which are the country's top financial institutions. The performance of Bangladesh's banking industry has drawn a lot of attention lately. It is unquestionably a significant issue. The three primary variables used to assess a bank's success are profitability, productivity, and the risks related to these two factors. The goal of this study was to determine NCB performance in a relatively short amount of time (2008 to 2012). Bangladesh has four commercially nationalized banks. Three banks have been selected for this research study's convenience. The study uses data from secondary sources. The study's tables illustrate changes in banking variables as they relate to branch growth, deposit mobilization, credit deployment, operational effectiveness, and relative risk measurements. Comparative and descriptive research designs were employed in this study. The ratio analysis findings obtained thus far are not particularly promising. Based on this discovery, it is evident that the public's trust in the stability of the banking system is maintained, and the banks' financial stability improves. The public wants to rely on these NCBs. Additionally, several suggestions are made to cover the entire financial system in a timely manner and to focus more on accomplishing the main goals.

A study titled "Financial performance analysis of Islamic banks in Tunisia" was carried out in 2017 by Daoud and Kammoun. This study examined the financial results of Tunisia's Islamic banking industry from 2010 to 2014. In Tunisia, Islamic banking is relatively recent compared to traditional banking. According to the examination of the literature, this study is the first to focus on Islamic banking in Tunisia. The most important financial ratios analysis is used to assess each bank's performance estimate in terms of profitability, liquidity, risk, and solvency. The

general stability of every bank is evaluated by the research as well. The performance was classified using the descriptive statistical measures of mean, standard deviation, and coefficient of variation, which reflect the variability and dispersion of these ratios. The outcome shows that over the examined time, both banks maintained a strong financial performance position in the banking sector. In contrast, Baraka Bank's profitability and risk management are somewhat higher than ZBL Bank's. Both Islamic banks are generally financially sound, however in terms of stability, Al Baraka Bank is in a better position than ZBL Bank.

According to Shrestha's (2018) research, SCBL, SBL, Nepal SBI Bank, and NIBL are all compared in the study "Financial performance of commercial banks in Nepal". The study's primary goals are to look at the profitability status of a few chosen commercial banks in Nepal, evaluate the relationship between profitability indicators, financial leverage, and bank size of those banks, and find out how these factors affect the profitability of Nepalese commercial banks. The study's conclusion, which shows that SCBL is more effective at cost control and upholding proper service policies, places it in a better position than SBL, SBI, and NIBL. SCBL's return on equity is comparatively greater than that of SBI Bank, NIBL, and SBL. The banks would benefit from a higher return on equity in order to maximize profits. Although it varies, SCBL's return on assets is greater than that of SBL, NIBL, and Nepal SBI Bank. A greater return on assets (ROA) is better for operations and profit maximization since it indicates how well management is producing profitsAlthough SCBL's earnings per share is on the erratic side, it is still more than those of the other three commercial banks. The trend for EPS is rising and falling. The primary goal of EPS is to maximize bank profits while also benefiting shareholders. A higher EPS boosts the organization's profit and is beneficial for the shareholders.

Nurebo and Tekate (2019), This study's primary goal is to investigate how the ownership structure of Ethiopian commercial banks affects their financial performance. Therefore, using important financial performance metrics, the financial results of state-owned and privately held commercial banks in Ethiopia were contrasted. The study takes a quantitative research strategy, employing test for means equality analysis and financial ratio analysis approaches to meet the state purpose. A sample of fifteen commercial banks was chosen according to their founding year.

Data from audited financial statements, spanning from 2011 to 2017, was examined. The results show that public sector banks had greater ROEs than private banks, but the total performance of state-owned banks was not as good as it could have been because most private banks had better ROA, LDR, CAR, and NIM ratios.

Hasan and Wastuti, 2022 The global economy has collapsed due to the COVID-19 epidemic. This epidemic has an impact on Islamic banks as well as the economy as a whole. An examination of Indonesia's Islamic commercial bank's (BUS) performance both before and after the COVID-19 epidemic is the goal of this study. The following financial ratios will be used to measure financial performance: ROA, CAR, NPF, FDR, BOPO, and NOM. The time before to the COVID-19 pandemic will be regarded as years 2018 and 2019, while the period during the epidemic will be regarded as years 2020 and 2021. It employs a quantitative approach using multiple linear regression and the independent sample t-test as measuring tools. The CAR, FDR, and BOPO variables differed before and during the pandemic, according to the results of the independent sample t-tests. However, there are no variations in the ROA, NPF, and NOM variables before and after the epidemic.

In 2023, Shah and Pokhrel Banks and other financial companies need a way to evaluate employees' work, take into account certain important financial data, and pinpoint their strengths and flaws. An efficient method for evaluating the performance of banks and other financial institutions is the "CAMEL" model. This model examined the sample banks' capital sufficiency, asset quality, management quality, earnings capacity, and liquidity status.The study has made a little attempt to analyze the performance of three commercial banks in Nepal from 2011–12 to 2020–2021 using the CAMEL approach. Rastriya Banijaya Bank, govt a fully owned bank, a joint venture between Nepal SBI Bank Limited (NSBIL) and Prime Commercial Bank (PCBL), a privately held bank, were chosen as example banks for the analysis. The outcome demonstrated the financial soundness of PCBL and NSBIL by explaining how they were able to maintain their risk-weighted assets at a higher excellent Tier I and II Capital level.This indicates that NSBIL has the capacity to sustain a greater proportion of loans that are functioning well. All three BFIs—RBBL, NSFIL, and PCBL—maintained average returns on assets and shareholder equity. In terms of the

percentage of liquid assets to total deposits, it was also discovered that PCBL led, followed by NSBIL and RBBL.

Albart and Purnomo (2024)The study is to investigate the effects of Capital Adequacy Ratio (CAR) and Nonperforming Financing (NPF) on Return on Assets (ROA) and financial performance at Shria Commercial Bank, which is registered with the OJK, from 2018 to 2022. The sample used in this study consists of 60 data points from 12 Shria Commercial Bank that were registered with the OJK between 2018 and 2022.Using SPSS26 software, descriptive statistics, traditional assumption testing, and hypothesis testing using multiple regression analysis were the methods of data analysis that were employed. (1) Non-performing financing does not statistically significantly affect profitability (ROA), according to the research's findings. (2) CAR statistically significantly affects profitability (ROA) in registered Shria Commercial Banks OJK during 2018 to 2022.

2.3 Summary of articles

Author	Titles	Methodology	Major Findings
Sangmi,,Nazir (2010)	Analyzing Financial Performance of Commercial Banks in India: Application of CAMEL model	Camel parameters model	It was discovered using this model that the banks under investigation are in a sound and satisfying condition in terms of their capital sufficiency, asset quality, managerial capacity, and liquidity.
Kumbirai, and Webb (2010)	A Financial Ratio Analysis of Commercial Bank	Descriptive financial ratio analysis	The study discovered that throughout the first two years of the examination, total bank performance grew significantly. When the global financial crisis struck in 2007, there was a noticeable shift in the pattern

			that peaked in 2008–2009.
Almazari (2011)	Financial Performance evaluation of Some Selected Jordanian	Simple regression method	It has been discovered that banks with more overall credit, deposits, assets, and shareholders' equity do not always have more profitable operations. discovered that asset size, asset utilization, and operational effectiveness all positively correlate with financial performance.
Jha & Hui (2012)	A comparisonof financial performance of commercial banks	Multivariate regression analysis	The findings indicate that while local private banks are just as efficient as foreign-owned (joint venture) banks, public sector banks are noticeably less efficient than their counterparts. The estimation findings show that the capital adequacy ratio had a major impact on return on equity and a significant impact on return on assets.
Ongore & Kusa (2013)	Determinants of Financial Performance of Commercial Banks in Kenya	Linear multiple regression model and Generalized Leas Square on Panel data	With the exception of the liquidity variable, the results demonstrated that bank-specific characteristics had a considerable impact on Kenya's

			commercial banks' performance. Ownership identity has a negligible moderating effect on commercial banks' financial performance. .
Rahmanl,M.I., Adhakary,&Yosuf (2014)	Productivity and profitability analysis of nationalized commercial bank(NCB) in Bangladesh	Comparative and descriptive research design	The financial strength of the banks grows, and the public's faith in the stability of the banking system—which is based on these NCBs—remains intact.
Daoudm and Kammoun .(2017)	Financial Performance Analysis of Islamic Banks in Tunisia.	Comparative Analysis.	The outcome shows that the profitability levels of the two Islamic banks do not differ much. According to the findings, Zitounsbanks has not been able to control risk as well as al Barake Bank's solvency ratio.
Abdu Mohammed Assfaw (2018)	Determinants of Financial Performance of Private Commercial Banks in Ethopia	Descriptive Statistics, Pearson Correlation Coefficient and Multiple Linear Regression Analysis	The findings show that while liquidity management has a negatively significant impact on the financial performance of the bank (ROE), capital adequacy management efficiency and bank size have a positive and statistically significant impact on the financial performance of private commercial banks in Ethiopia as measured by ROA,

			ROE, and NIM.
Shrestha,A(2018)	Financial Performance of Commercial Bank	Descriptive and Analytical Research Design	SCBL is effective in keeping costs under control and upholding proper service standards. SCBL maximizes earnings and is better for operations.
Tekatel and Nurebo (2019)	Comparing Financial Performance of State owned bank with Privately owned Commercial bank in Ethopia	Quantitative Research Approach, Financial Ratio Analysis And T-test	The results show that public sector banks have better return on equity (ROE) than private banks, but state-owned banks' total performance was not seen to be sound because private banks' other financial ratios were judged to be superior.
Mwangi and S Matanda (2022)	Financial Risk and Financial Performance of Commercial bank listed in the Nairobi Securities Exchange in Kenya	Descriptive Research Design	According to the study, the listed commercial bank's financial performance may be explained by credit risk, liquidity risk, market risk, and operational risk together accounting for 31.42%.

Wastuti and Hasan (2022)	Financial Performance of Islamic Commercial Banks before and during the Covid-19 Pandemic in Indonesia	Multiple Linear Regression Analysis, t-test, financial ratio	The CAR, FDR, and BOPO variables differed before and during the pandemic, according to the findings of the independent sample t-test. However, there is no change between the pre-pandemic and pandemic periods for the ROA, NPF, and NOM variables.
Shah and Pokhrel (2023)	Financial Performance Analysis of Nepalese Commercial Banks using CAMEL Approach	Descriptive Research Design and Ratio Analysis	According to the results, PCBL and NSBIL were able to maintain their risk-weighted assets at superior Tier I and II Capital Levels, and NSBIL was able to sustain a larger proportion of loans that were in good standing. All three BFIS—RBBL, NSBIL, and PCBL—maintained average returns on assets and shareholder equity. In terms of the percentage of liquid assets to total deposits, it was also discovered that PCBL led, followed by NSBIL and RBBL.

Rashesh Vaidya (2023)	Evaluating Nepalese Commercial Banks's Performance from the Eyes of EAGLES Rating	Descriptive Research Design	The study discovered that, for government-owned commercial banks, the bank with the best position across all EAGLES components was at the top, but, for joint venture banks, the bank with the best loan growth, liquidity position, and capital structure was at the top.
Koroma, Kamara and Kamra(2024)	An Analysis of the Financial Performance of Commercial Banks in Sierra Leone	Descriptive Research Design ,Multiple Regression Analysis	All of the study's variables, with the exception of asset quality and liquidity management, exhibit positive relationships or coefficients and perform well.
Purnom and Albar t(2024)	Information On Financial Performance of Sharia Commercial Banks And Their Determining Factors	Descriptive Statistics , Multiple Regression Analysis	The study's findings demonstrate that non-performing financing has no statistically significant impact on Sharia Commercial Bank's profitability (ROA).

2.4 Research Gap

The differences between this study and the earlier research are displayed in this section. The background data on commercial bank performance in general, with a focus on profitability and total factor productivity indicators, is provided by the empirical review used in this study. There is a need for more study on the sub-region because there is a dearth of thorough data on the performance of commercial banks in Nepal compared to developed and some emerging nations. The idea that internal, sector-specific, and microeconomic variables impact bank profitability and total factor productivity growth is supported by a large body of research on the subject.

Pokhrel and Shah (2023) "Financial Performance Analysis of Nepalese Commercial Banks using CAMEL Approach" is the study's subject. In this study, ratio analysis and a descriptive research design are the methods used.According to the results, PCBL and NSBIL were able to maintain their risk-weighted assets at superior Tier I and II Capital Levels, and NSBIL was able to sustain a larger proportion of loans that were in good standing. All three BFIs RBBL, NSBIL, and PCBL maintained average returns on assets and shareholder equity.

While a great deal of research has been conducted in industrialized nations employing regression analysis, strong econometric methodologies, and bigger scopes, there aren't many studies like this one on the financial system in Nepal. In order to conduct a thorough research on the enhancement of the banking system in Nepal, there appears to be a dearth of information on the country's banking system, both in terms of scope and kind of correlation regression. Many studies have been conducted on the comparison of commercial banks' financial performance, but fewer have examined the factors that influence commercial banks' financial performance in Nepal. Given these gaps in information and the methodological constraints, the thesis used descriptive research methodologies and three sample commercial banks selected from a total of twenty commercial banks to give further empirical data.

CHAPTER-III
RESEARCH METHODOLOGY

3.1 Research Design

The plan, structure, and approach of an inquiry developed to find answers to research questions and manage variation is known as research design. As an academic study, its goals are to regulate the variations and provide answers to the questions posed. A fact-finding strategy known as descriptive research design was used to get information on the profitability and bank-specific characteristics of the commercial banks in the sample. The association between the numbers of bank-specific elements and profitability is ascertained via the application of regression analysis and coefficient of correlation approaches. Therefore, a descriptive and research design are used to achieve the study's goal.

3.2 Population and Sample

The study's population consists of Nepal's twenty operational commercial banks. However, this study is not designed to include all of these commercial banks. Thus, the researcher divided Nepal's commercial banks into three categories: government, private, and commercial banks with foreign involvement. Thus, only three commercial banks—Prime Commercial Banks (PCBL), Nepal SBI Bank (NSBL), and Rastriya Banijaya Bank (RBB)—are included in the study's population, which is the entire number of commercial banks. Ten years' worth of data—from 2013–14 to 2022–23—are collected for the sample. In a similar vein, there should be a high correlation between the study's desired generalizations and the observable features of the target group. In this study's context, a convenience sampling method of sampling for research purpose are use.

3.3 Nature and Sources of Data

The methods used for collecting secondary data are modified to meet the study's goals. Information from books, newspapers, journals, and other publications is what is referred to as a secondary source of data. The annual reports of PCBL, NSBL, RBB Bulletin, and concerned banks, as well as materials found in newspapers and

magazines, other relevant journals, periodicals, books, and booklets, and the websites of the relevant institutions, are the main sources of secondary data.

3.4 Data Collection Procedure

It is not possible to use diverse data collected from various sources directly for analysis in their original format. Thus, they have undergone a thorough review, evaluation, editing, and tabulation process to ensure they are in the proper format for the study. By obtaining the data from recognized sources, the researchers are enhancing the trustworthiness of the acquired data. Additionally, the data are sorted by topic and presented in a table in a sequential manner. Comparably, the profitability of particular sample commercial banks and bank-specific characteristics are analyzed and interpreted using financial ratios.

3.5 Data Analysis Tools

Descriptive and analytical statistics are used in the study to assess the data that was gathered; computer programs such as Microsoft Word, Microsoft Excel, and SPSS 25 were also used in addition to manual labor. Descriptive statistics were employed in the study to analyze data through ratios and data provided as times and percentages, reflecting the various financial ratios included in the analysis.

3.5.1 Financial Tools

They aid in determining the true financial status and relationship with various ratios since this study is concerned with the financial analysis of problematic banks using financial instruments. A ratio, defined as a number expressed in terms of another number, is a quantitative expression of the relationship between two variables. Additionally, it is a method for quantifying the connection between two financial data sets that are extracted from the balance sheet or the profit and loss account.

3.5.2 Statistical Tools

The statistical methods listed below are used in this research study to help with more accurate data analysis.

Mean

A statistical technique called mean is used to determine the average of the data. It is computed by taking the total number and dividing it by the sum of the frequencies. It is the most used technique for analyzing and interpreting study findings.

Standard Deviation

Additionally, it is a statistical instrument represented by the latin characters or the letter sigma. It is a metric used to express how much a set of data values vary or are dispersed. A high standard deviation suggests that the data points are dispersed throughout a larger range of values, whereas a low standard deviation suggests that the data points often tend to be near the established mean.

Coefficient of Variation

More homogeneity and consistency with fewer CVs, and vice versa. Not only is the standard deviation inappropriate for comparing two sets of variables, but the CV may also compare two sets of variables separately according on how variable they are.

Correlation Coefficient

The technique of examining the strength of that association using the statistical data at hand is known as correlation coefficient analysis. It is among the most often used and beneficial statistics. The degree to which two variables are related is expressed as a single integer. The information gathered from many sources has been displayed in tabular, diagrammatic, and graphical form.

Regression Analysis

The statistical method known as regression is used to estimate (or predict) one variable based on another variable(s) and to ascertain the statistical relationship between two (or more) variables. Regression, then, is that statistical method that allows one variable's unknown value to be approximated using the known value of another variable. Equation of regression illustrating the relationship between each independent variable and the dependent variable.

3.5.3 The Study Model

Regression analysis has been performed on time series and panel data from three joint venture commercial banks. These were the results of the multiple regression:

$$ROA = \alpha + \beta 1.(LR) + \beta 2.(AQ) + \beta 3.(CAR) + \beta 4.(ME) + \beta 5.(SIZ) + E \ldots\ldots\ldots\ldots (i)$$

$$ROE = \alpha + \beta 1.(LR) + \beta 2.(AQ) + \beta 3.(CAR) + \beta 4.(ME) + \beta 5.(SIZ) + E \ldots\ldots\ldots\ldots (ii)$$

Where,

ROA= Return on Assets

ROE = Return on Equity

α = Alpha (constant term)

$\beta 1$= Beta Coefficient for Liquidity Ratio

$\beta 2$ =Beta Coefficient for Assets Quality

$\beta 3$= Beta Coefficient for Capital Adequacy Ratio

$\beta 4$=Beta Coefficient for Management Efficiency

$\beta 5$=Beta Coefficient for Size

LR= Liquidity Ratio

AQ= Assets Quality

CAR= Capital Adequacy Ratio

ME= Management Efficiency

E = Error Terms

3.6 Research Framework

The literature frequently discusses a bank's profitability as determined by its return on equity (ROE) and return on asset (ROA). Return on equity (ROE) and return on assets (ROA) are used in this study to assess the bank's profitability. While return on equity (ROE) is determined by dividing net profit by total equity and is expressed as a percentage, return on assets (ROA) was computed as net profit divided by total assets. A review of the literature indicated that several researchers have identified a number of comparable factors that influence a bank's profitability. The most often utilized internal variables are bank-specific financial parameters that indicate capital sufficiency, liquidity, asset quality, management effectiveness, and bank size, according to the results of several research. In order to measure the bank's

profitability, the following variables—which were obtained from Pradhan (2017) and Farooq et al. (2021)—were included. These variables were exclusive to the bank.

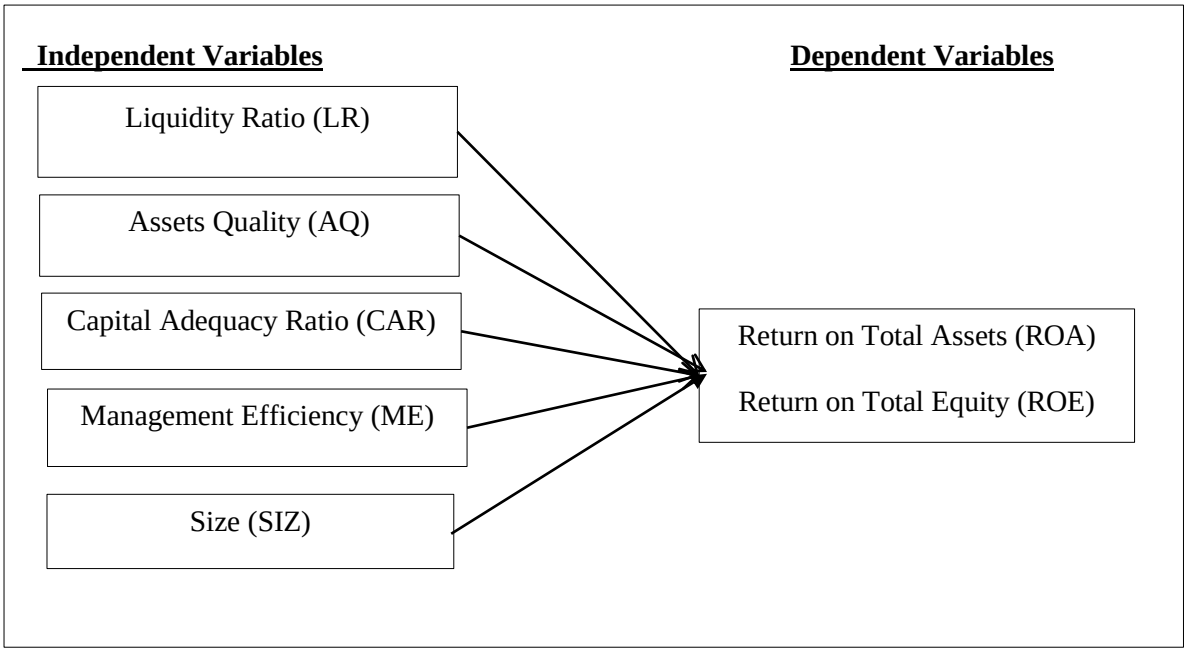

Figure 1: Research Framework

(Source: Pradhan 2017, Farooq et al. 2021)

3.6.1 Definition of Variables

Profitability Ratio

Husni (2011) asserts that components of the internal determinants of profitability are under the financial institutions' purview. Consequently, the banks possess the power to specify the extent to which these factors ought to be taken into account. Each of these attributes affects the financial institutions' revenue as well as expenses.

Return on assets (ROA)

Because it gauges how well a business is managing its asset investment and utilizing it to generate overall profit, the Return on Assets ratio is a crucial profitability metric. It calculates the profit margin in relation to the firm's overall asset investment level. The financial ratios within the assets management area include the return on assets ratio. The dependent variable used to assess the commercial banks' financial performance analysis is ROA. The yearly reports of sample banks provide the necessary ROA statistics. If the computed ROA is not available, it can be computed using the formula below:

- ROA = Net Profit / Total Assets

Return on Equity (ROE)

The calculation of return on equity involves dividing a company's net income by the equity held by its shareholders. A company's profitability and the efficiency with which it makes profits are measured by its return on equity (ROE). An organization is more successful at turning equity capital into profit if its ROE is greater.

- ROE = Net Profit / Equity

Liquidity Ratio(LR)

The business organization's short-term solvency is gauged by the liquidity ratio. The capacity of the company to pay its present liabilities is determined in part by liquidity ratios. The organization's quick assets, current liabilities, and current assets may all be used to determine its liquidity. Assets that may be swiftly turned into cash within a year are referred to as current assets. Liabilities that are due to be paid off within a year are called current liabilities.

Assets Quality

Activity-based ratios and turnover ratios are other names for asset management ratios. It evaluates the efficiency with which assets are used and managed in between sales. This ratio makes the assumption that sales and different assets have a suitable connection.

Capital Adequacy Ratio (CAR)

A bank's internal strength, which would serve it well in a crisis, is reflected in its capital adequacy. There are three reasons why banks must decide how much capital they should retain. First, the quantity of capital affects the bank's ability to avoid bank failure, which occurs when the bank is unable to meet its obligations to pay its depositors and other creditors and goes out of business. return for the bank's equity owners, and third, regulatory bodies mandate a certain level of bank capital (bank capital requirement). (Thapa, 2069). The ratio of Tier I and Tier II capital to risk-weighted assets is the capital adequacy ratio. Understanding the significance of capital

adequacy, the NRB issued a directive requiring all commercial banks in Nepal to fulfill the 10% capital adequacy benchmark, which is based on the Basel Committee's guidelines.

The minimum capital required by the bank to withstand a loss is what indicates the bank's ability to withstand a loss. It performs the same role as an air bag in a car. The quantity of capital required of a bank to ensure the level of capital required to sustain operating losses while still honoring withdrawals as required by financial authorities is known as capital adequacy.

- CAR= (Tier l capital + Tier 2 capital) / Total Risk Weighted assets

Management Efficiency

One of the most significant internal factors influencing a bank's profitability is the effectiveness of its internal operations. This is demonstrated using a variety of financial indicators, including growth rates for loans, total assets, and earnings. It is, nonetheless, one of the trickiest problems to quantify with financial ratios. Furthermore, one aspect of management quality that has to be taken into account is operational efficiency in the control of operating expenses.

CHAPTER-IV
RESULTS AND DISCUSSION

This chapter presents and discusses important data from Nepal's sample banks along with their analysis and interpretation to fulfill the objectives of the study. To obtain the best possible outcome, the data has been examined in accordance with the study plan, as the third chapter explains. Reading this chapter will help you grasp the principles of data analysis and interpretation as well as how to perform these activities. A crucial step in data analysis is the statistical testing of significance, which determines the statistical significance of any correlations or differences that support or refute the original or new hypothesis.. This helps ascertain the reliability of the data and the reliability with which any conclusions may be made from it. This chapter uses a range of statistical and financial approaches to examine data that was obtained from secondary sources. The study's conclusions are thoroughly examined.

4.1 Financial Analysis

4.1.1 Return on Total Assets Ratio (ROA)

This type of return on investment (ROI) statistic calculates the profitability of a business relative to its total assets. A statistic called return on assets (ROA) assesses a business's profitability in proportion to all of its assets. This ratio shows an organization's overall performance by comparing its profitability (net income) to its capital (capital invested in assets). A higher rate of return on investment indicates more effective and profitable utilization of the existing financial resources by the management. One helpful metric for assessing a company's success is its return on assets, or ROA. A firm is likely making more money from every dollar of assets it owns if its return on assets (ROA) is rising over time. On the other hand, a declining return on assets (ROA) suggests that a company has overspent, made bad investments, and could be close to going bankrupt.

Table 4.1

Return on Total Assets Ratio

Fiscal Year	RBBL	NSBL	PCBL
2013/14	1.5	1.51	1.46
2014/15	3.33	1.8	1.63
2015/16	1.42	1.7	1.7
2016/17	1.6	1.54	1.89
2017/18	1.85	1.97	1.82
2018/19	2.23	1.94	2.15
2019/20	1.64	1.16	1.48
2020/21	1.1	0.7	1.78
2021/22	1.21	1.07	1.33
2022/23	0.91	1.06	0.47
Mean	1.688	1.445	1.57
S.D.	0.69	0.43	0.45
C.V. %	40.2	29.6	28.66

(Source: Annual Reports of Respective Banks and Appendix i, ii, iii)

The return on total assets for three sample commercial banks throughout the course of the ten-year research period is shown in Table 4.1. For RBBL, NSBL, and PCBL, the average return on assets ratios are 1.688%, 1.445%, and 1.57%, respectively. This suggests that the bank's return on assets is adequate. Similarly, the NSBL, PCBL, and RBBL had standard deviations of 0.45%, 0.43%, and 0.69%, respectively. Based on a review of the 10 fiscal years mentioned above, RBBL has a higher average return on assets (1.688%), followed by NSBL (1.445%) and PCBL (1.57%). According to a CV analysis, PCBL exhibits more consistency compared to other sample banks with a lower CV of 28.66%.

4.1.2 Return on Equity

A financial metric called the return on equity ratio assesses the rate of return that stockholders of a company receive on their investments in the company's common stock. The effectiveness of a company in earning returns on the money that its owners have invested is gauged by its return on equity. Return on equity is derived as a two-part ratio as it combines the information from the balance sheet and the income

statement. The company's equity held by shareholders is contrasted to the net income or profit.. The graph illustrates the total return on equity capital and shows how profitable the firm may make equity investments. In other words, it measures how much profit is made for each dollar that shareholders invest in the business. Table 4.2 shows the return on equity for three commercial banks during the course of the research.

Table 4.2

Return on Equity

Fiscal Year	RBBL	NSBL	PCBL
2013/14	76.96	20.35	15.3
2014/15	69.56	18.87	17.21
2015/16	27.36	19.25	19.25
2016/17	26.48	14.78	15.56
2017/18	19.19	15.81	15.4
2018/19	23.88	16.19	16.4
2019/20	19.01	10.44	10.97
2020/21	11.94	6.26	13.65
2021/22	14.02	9.57	10.32
2022/23	7.09	10.77	3.78
Mean	29.49	14.229	13.784
S.D.	23.979	4.74	4.43
C.V. %	81.28	33.31	32.14

(Source: Annual Reports of Respective Banks and Appendix i , ii, iii)

The sample banks' return on equity is displayed in Table 4.2. For RBBL, NSBL, and PCBL, the average ratio is 29.49%, 14.29%, and 13.784%, respectively. This suggests that the RBBL's return on equity, or the management's efficiency in turning a profit, is strong. Similarly, the NSBL, PCBL, and RBBL had standard deviations of 23.979%, 4.74%, and 4.43%, respectively. In comparison to other sample banks, the return on equity is more erratic. RBBL has a higher coefficient variation (CV) of 81.28% compared to other sample banks, indicating poorer consistency.

4.1.3 Capital Adequacy Ratio (CAR)

The ratio of a bank's capital to its risk-weighted assets and current liabilities is known as the capital adequacy ratio, or CAR. Central banks and bank regulators make the decisions to stop commercial banks from taking on too much leverage and going bankrupt in the process. Capital is divided into Tiers 1 and 2 by the Bank of International Settlements according to the type and purpose of the capital. The main metric used to assess a bank's financial health is its Tier 1 capital. It comprises retained earnings and shareholder equity, both of which are shown on financial accounts.

Table 4.3

Capital Adequacy Ratio

Fiscal Year	RBBL	NSBL	PCBL
2013/14	4.62	13.28	12.4
2014/15	10.16	14.03	12.16
2015/16	10.46	13.49	13.49
2016/17	10.39	15.71	13.28
2017/18	11.22	15.15	12.24
2018/19	13.39	14.12	12.76
2019/20	12.64	15.55	13.84
2020/21	13.46	13.86	14.82
2021/22	13.29	13.25	13.12
2022/23	12.92	12.58	12.1
Mean	11.255	14.102	13.168
S.D.	2.68	1.05	1.06
C.V. %	23.81	7.44	8.05

(Source: Annual Reports of Respective Banks and Appendix i , ii, iii)

The capital adequacy ratios of the sample banks for the 10 study periods are shown in Table 4.3. For RBBL, NSBL, and PCBL, the average ratio is 11.255%, 14.102%, and 13.168%, in that order. With the greatest average, NSBL performs better on average. The NSBL is more consistent than the other sample bank with a lower CV, according to the coefficient of variation. It demonstrates that every sample bank satisfies the capital NRB instructions' 10% capital adequacy ratio.

4.1.4 Deposit to Assets Ratio

The ratio of deposits to assets indicates how much of the assets are financed by public deposits. The deposit-to-asset ratio determines whether banks with higher deposit levels have to pay higher operating expenses to draw in new customers

Table 4.4

Deposit to Assets Ratio

Fiscal Year	RBBL	NSBL	PCBL
2013/14	87.52	89.23	89.52
2014/15	89.01	87.09	89.53
2015/16	87.85	83.04	83.06
2016/17	88.5	81.77	84.75
2017/18	83.21	82.18	76.42
2018/19	83.59	82.77	75.34
2019/20	86.56	83.42	78.49
2020/21	85.11	77.09	80.89
2021/22	78.17	78.19	76.16
2022/23	81.63	81.12	78.82
Mean	85.115	82.662	81.29
S.D.	3.46	3.594	5.27
C.V. %	4.06	4.35	6.48

(Source: Annual Reports of Respective Banks and Appendix i , ii, iii)

The total deposit to total asset ratio, which assesses the caliber of the sample commercial banks' assets, is shown in Table 4.4. It draws attention to the greater proportion of RBBL, which stands at 85.115%, followed by NSBL (82.662%) and PCBL (81.29%). Similarly, the corresponding standard deviations for NSBL, PCBL, and RBBL are 5.27%, 3.594%, and 3.46%, respectively. RBBL is more consistent than other sample banks, as indicated by a coefficient of variation analysis, with a lower CV of 4.06%.

4.1.5 Cash Reserve Ratio

The minimal percentage of a commercial bank's total customer deposit that it must retain as reserves, either in cash or as deposits with the central bank, is known as the cash reserve ratio. CRR is determined in accordance with national central bank

policies.

Table 4.5

Cash Reserve Ratio

Fiscal Year	RBBL	NSBL	PCBL
2013/14	19.43	7.14	16.27
2014/15	14.48	9.03	10.43
2015/16	14.17	9.86	9.86
2016/17	9.64	8.97	12.6
2017/18	5.87	6.7	12.14
2018/19	6.53	9.51	10.13
2019/20	7.77	6.86	7.3
2020/21	7.63	3.08	6.8
2021/22	6.36	3.78	5.53
2022/23	7.05	5.56	6.92
Mean	9.893	7.049	9.79
S.D.	1.048	2.367	3.29
C.V. %	10.59	33.5	33.61

(Source: Annual Reports of Respective Banks and Appendix i , ii, iii)

The liquidity ratio for the ten-year period for the sample commercial banks is displayed in Table 4.5. For RBBL, NSBL, and PCBL, the average liquidity ratio is 9.893%, 7.049%, and 9.79%, in that order. At 9.893%, RBBL has a greater average return. RBBL, NSBL, and PCBL have standard deviations of 1.048%, 2.367%, and 3.39%, in that order. According to a study of coefficient variation, RBBL is a more consistent sample bank than the other banks with a lower CV of 10.59%.

4.1.6 Efficiency Ratio

An efficiency ratio called revenue per employee is used to calculate the total revenue generated by each employee that works for a company. It is necessary to compute and report the revenue per employee ratio in order to evaluate the effectiveness and productivity of an organization's average employee. This ratio, which is more frequently used to compare businesses in the same sector, is influenced by a number

of factors, including labor costs, geographic location, and the firm's stage. This ratio considers both income and costs simultaneously, as opposed to revenue per employee and expenses per employee. As a result, it serves as a helpful summary figure, but it hides some details that the other two KPIs highlight. Enhancements in worker productivity may be attained by several means, such as investing in culture and training, as well as in procedures and automation (which can also be utilized to lower the required workforce).

Table 4.6

Efficiency Ratio

	RBBL	NSBL	PCBL
2013/14	727.98	1520.57	1713.46
2014/15	1824.7	1787.64	2059.64
2015/16	953.56	1961.53	3415.08
2016/17	1235.01	2003.71	2570.83
2017/18	1881.37	2323.2	2473.13
2018/19	2407.69	2227.91	3032.82
2019/20	2213.001	1537.2	1534.75
2020/21	1565.45	996.36	2126.48
2021/22	2009.75	1800.34	1742.09
2022/23	1364.37	2131.64	627.15
Mean	1618.2881	1739.01	2129.243
S.D.	546.77	408.27	797.102
C.V. %	33.79	23.48	37.44

(Source: Annual Reports of Respective Banks and Appendix i , ii, iii)

The efficiency ratio for the ten-year period of the sample commercial banks is displayed in Table 4.6. It demonstrates that during the course of 10 research periods, the management efficiency ratio of a sample of banks fluctuated. For RBBL, NSBL, and PCBL, the average efficiency ratio is 1618.2881 (in "000"), 1739.01 (in "000"), and 2129.243 (in "000"), respectively. With an efficiency ratio (earning per employee) of 2129.243 (in "000"), PCBL comes in top place. NSBL has a smaller coefficient of variation (23.48%) than other sample banks, indicating that it is more consistent.

4.2 Descriptive Statistical Analysis

4.2.1 Descriptive Statistics

Short descriptive coefficients, known as descriptive statistics, are used to characterize a specific data collection, which might be a sample or the entire population represented. Measures of variability (or variation) (spread) and measures of central tendency (spread) are the two categories of descriptive statistics. Based on panel data from five commercial banks, Table 4.7 shows the profitability drivers of commercial banks measurement-base statement and their mean score. Using data from ten years and five sample commercial banks, a total of thirty observations were produced. SPSS software was used to methodically refine and evaluate the collected data.

Table 4.7

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
ROA	30	.47	3.33	1.5680	.52634	.277
ROE	30	3.78	76.96	19.1707	15.70743	246.723
CAR	30	4.62	15.71	12.6360	2.53617	6.432
CRR	30	3.08	19.43	8.9107	3.66056	13.400
TD/TA	30	75.34	89.53	83.0250	4.35375	18.955
EPE	30	627.150	3415.080	1858.84703	619.977718	384372.371
Valid N (listwise)	30					

Source: SPSS 25 result

Every variable included 30 observations from three sample commercial banks, as shown in Table 4.7. 1.57% is the average return on assets. That indicates that, on average, there is a rupee return for every rupee invested in the assets. For the year, the largest return on assets is 3.33%, while the lowest is 0.47%. Additionally, the standard deviation is 0.53%, indicating that the mean is not the only value. Similar to the norm, the return on equity over the 10 years of the research period varied, with a minimum of 3.78% and a maximum of 76.96%, as well as a mean of 19.17% and a standard deviation of 15.70%.

The average capital adequacy ratio is 12.64%, with a range of 4.62% to 15.71%. The capital adequacy ratio's standard deviation is 2.54%. Throughout the research period,

the sample commercial banks' average liquidity ratio was observed to be 8.91%.with a standard deviation of 3.66%, a minimum of 3.08%, and a high of 19.43%. The assets quality ratio has a standard deviation of 4.35% and an average of 83.03%, with a range of 75.34% to 89.53%. The bank's efficiency ratio ranges from 627.15 (in "000") to 3415.0 (in "000"), with an average of 1858.84703 and a standard deviation of 619.98.

4.2.2 Correlation Analysis

Using a sample correlation coefficient estimator, one may estimate a sample correlation coefficient in correlation analysis—more specifically, the Pearson Product Moment correlation coefficient. A sample correlation coefficient, or r, is a number between -1 and +1 that indicates the strength of the linear relationship between two variables. It ranges from -1 to +1 and can be located between those two points. A positive correlation can be found between two variables when higher levels of one are linked to higher levels of the other, or a negative correlation can be found when lower levels of one variable are linked to lower levels of the other (i.e., higher levels of one are associated with lower levels of the other). Based on the coefficient's sign, correlation coefficients indicate a link's direction. The strength of the relationship between two variables is indicated by the correlation coefficient's magnitude.

A strong, positive association between two variables is indicated by a correlation coefficient of 0.9, whereas a weak, negative relationship is shown by a correlation coefficient of -0.2. There is no linear relationship between two continuous variables when the correlation coefficient is around 0. Since it reveals the connections between return on equity, return on assets, capital adequacy, liquidity, assets quality, efficiency, and bank size, correlation analysis is the statistical method of choice for this investigation.

Table 4.8

Pearson's Correlation Matrix

		ROA	ROE	CAR	CRR	TD/TA	EPE
ROA	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	30					
ROE	Pearson Correlation	.567**	1				
	Sig. (2-tailed)	.001					
	N	30					
CAR	Pearson Correlation	-.333	-.860**	1			
	Sig. (2-tailed)	.072	.000				
	N	30					
CRR	Pearson Correlation	.409*	.702**	-.625**	1		
	Sig. (2-tailed)	.025	.000	.000			
	N	30					
TD/TA	Pearson Correlation	.303	.500**	-.394*	.534**	1	
	Sig. (2-tailed)	.104	.005	.031	.002		
	N	30					
EPE	Pearson Correlation	.509**	-.169	.389*	-.056	-.189	1
	Sig. (2-tailed)	.004	.373	.034	.771	.317	
	N	30					

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

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

Source: SPSS 25 result

The correlation matrix, which displays the direction and intensity of the association between the dependent and independent variables, is shown in Table 4.8. There is a positive association of 0.409, 0.303, and 0.509, respectively, between return on assets and cash reserve ratio, total deposit to total assets ratio, and earning per employee. A positive correlation coefficient shows a direct link, meaning that as the ratios of cash reserve to total assets, total deposit to total assets, and earnings per employee grew, so did the return on assets. P-values that are more than 0.05 are found in the capital adequacy ratio, cash reserve ratio, and total deposit by total assets ratio (0.072, 0.025, and 0.104, respectively).

This data led to the conclusion that, while return on assets, capital adequacy ratio, cash reserve ratio, and total deposit by total assets ratio have a statistically

insignificant positive relationship, the p-value for earning per employee is 0.004, which is below the significance level (i.e., 0.004<0.05). This suggests that return on assets and earnings per employee have a substantial positive connection. The capital adequacy ratio (-0.333) and return on asset are inversely correlated. An increase in the capital adequacy ratio will result in a fall in return on assets, according to a negative correlation coefficient, which shows a reversal link.

4.2.3 Regression Analysis based on ROA

A mathematical technique for identifying which of those elements influences the experiment's result is regression analysis. It offers responses to the following queries: Which are the most crucial elements? Which of these are we willing to overlook? What kind of interactions exist between those variables? And maybe most importantly, how certain are we that we comprehend each and every one of these variables? The dependent variable in this study is return on assets, or profitability, whereas the independent variables are the liquidity ratio, capital adequacy ratio, assets quality ratio, and efficiency ratio. Table 4.9 displays the regression analysis's outcome.

Table 4.9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799[a]	.639	.581	.34058

a. Predictors: (Constant), EPE, CRR, TD/TA, CAR

Source: SPSS 25 result

The association of extended regression between the dependent variable (profitability), or return on assets, and the independent variables (capital adequacy ratio, cash reserve ratio, total deposit by total assets ratio, and earning per employee) is displayed in Table 4.9. The R square, or coefficient of multiple determination, for the variables is 0.639 in the table, while the corrected R square is 0.581. The dependent variable, or profitability, is explained by independent variables such as capital adequacy ratio, cash reserve ratio, total deposit by total assets ratio, and earning per employee by 63.9%, according to R square, which measures the variability of the dependent

variable with independent variable. The remaining 36.1% are explained by other variables not included in this study.

Table 4.10

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.134	4	1.284	11.066	.000[b]
Residual	2.900	25	.116		
Total	8.034	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), EPE, CRR, TD/TA, CAR

Source: SPSS 25 result

The table shows that the F statistics value is 11.066 and the P-value, also known as the F (sign), is equal to 0.000 (p-value 0.000<0.05), indicating a significant relationship between the independent and dependent variables.

Table 4.11

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.617	1.501		-.411	.685
CAR	-.114	.036	-.549	-3.177	.004
CRR	-.003	.025	-.021	-.119	.906
TD/TA	.029	.017	.243	1.679	.106
EPE	.001	.000	.768	5.603	.000

a. Dependent Variable: ROA

Source: SPSS 25 result

The dependent variable's independent variable's p-value and T-statistics are displayed in the coefficient matrix. The capital adequacy ratio's T-statistics and p-value are -3.177 and 0.004, respectively, with p being less than the significance threshold (i.e., 0.004<0.05). It suggests that return on assets and the capital adequacy ratio have a substantial link. The cash reserve ratio's T-statistics and P value are -0.119 and 0.906,

respectively, with the P value beyond the level of significance (i.e., 0.906>0.05). It suggests that the link between return on assets and cash reserve ratio is negligible.

The total deposit by total assets ratio's T-statistics and P value are 1.679 and 0.106, respectively. The value of p is more than the level of significance, meaning that 0.106>0.05. It suggests that the association between return on assets and the ratio of total deposits to total assets is negligible. The earning per employee's T-statistics and P value are 5.603 and 0.000, respectively; the value of p is less than the level of significance (i.e., 0.000<0.05). It suggests that return on assets and earnings per employee have a substantial relationship. The positive and substantial association between return on assets and earnings per employee is indicated by the beta value of 0.01. It suggests that the return on assets (profitability) is increased by 1% when earnings per employee.

Overall, as their p-values are less than 0.05, only the two independent variables—the capital adequacy ratio and income per employee—have a meaningful link with return on assets (profitability). This finding indicates that earnings per employee and the capital adequacy ratio were much better indicators of the return on assets (profitability).

4.2.4 Regression Analysis based on ROE

Return on equity (profitability) is the dependent variable in this study, whereas the independent factors include the bank's size, capital adequacy ratio, liquidity ratio, assets quality ratio, and efficiency ratio. Table 4.10 displays the regression analysis result.

Table 4.12

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.903[a]	.815	.786	7.27474

a. Predictors: (Constant), EPE, CRR, TD/TA, CAR

Source: SPSS 25 result

The association of extension regression between the dependent variable (profitability, or return on equity) and the independent variables (capital adequacy ratio, cash reserve ratio, total deposit by total assets ratio, and earnings per employee) is displayed in Table 4.12. The coefficient of multiple determination (R square) for the variables, as indicated by the regression matrix, is 0.815, and the corrected R square is 0.786. The dependent variable's variability with respect to the independent variable is measured by the R square. This demonstrates that the independent variables—capital adequacy ratio, cash reserve ratio, total deposit by total assets ratio, earning per employee explain 81.5% of the variation in the dependent variable, or return on equity (profitability); the remaining 18.5% are explained by variables not covered in this study.

Table 4.13

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5831.933	4	1457.983	27.550	.000[b]
Residual	1323.047	25	52.922		
Total	7154.980	29			

a. Dependent Variable: ROE

b. Predictors: (Constant), EPE, CRR, TD/TA, CAR

Source: SPSS 25 result

The table shows that the F statistics value is 27.550 and the P-value, also known as the F (sign), is equal to 0.000 (p-value 0.000<0.05), indicating a significant relationship between the independent and dependent variables.

Table 4.14

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	22.184	32.064		.692	.495
CAR	-4.793	.766	-.774	-6.256	.000
CRR	.642	.542	.150	1.184	.247
TD/TA	.529	.374	.147	1.415	.169
EPE	.004	.002	.168	1.716	.098

a. Dependent Variable: ROE

Source: SPSS 25 result

The T-statistics and P-value of the independent variable related to the dependent variable are displayed in the coefficient matrix. The capital adequacy ratio has T-statistics of -6.256 and p-value of 0.000, where p is less than the significance threshold (i.e., 0.000<0.05). It suggests that return on equity and the capital adequacy ratio have a substantial link. The cash reserve ratio's T-statistics and p-value are 1.184 and 0.247, respectively; the p-value is more than the level of significance (i.e., 0.247>0.05). It suggests that the link between return on equity and cash reserve ratio is negligible. The positive and negligible correlation between the cash reserve ratio and return on equity is indicated by the beta value of 0.642.

Total deposit/total assets ratio's T-statistics and p-value are 1.415 and 0.169, respectively; the p-value is more than the level of significance (i.e., 0.169>0.05). It suggests that the association between return on equity and the ratio of total assets to total deposits is negligible. The total deposit/total assets ratio and return on equity have a positive and negligible connection, as indicated by the beta value of 0.529. The income per employee T-statistics and p-value are 1.716 and 0.098, respectively. Since the p-value is greater than the significance threshold (i.e., 0.098>0.05), this suggests that the link between earnings per employee and return on equity is not significant. The positive and negligible association between return on equity and earnings per employee is indicated by the beta value of 0.004.

Since the capital adequacy ratio's p-value is less than 0.05, the only independent variable that has a meaningful link with return on equity (profitability) overall is that one. This finding demonstrates how much better the capital adequacy ratio was in predicting the profitability or return on equity.

4.3 Discussions

The financial analysis of a representative commercial bank has been the primary subject of this study. The dependent variables in this study are return on equity (profitability) and return on assets, whereas the independent variables are capital adequacy ratio, cash reserve ratio, assets quality ratio, and management efficiency ratio. The research was conducted between 2013–14 and 2022–23. Regression analysis, correlation, and descriptive statistics are utilized to examine the sample commercial bank's financial performance.

Compared to NSBL and PCBL, RBBL has a greater average return on assets. Compared to other banks, PCBL's return on assets is more stable, but RBBL's is more variable. The average return on equity for RBBL is greater. Compared to other banks, PCBL has a more stable return on equity. NSBL has the greatest average capital adequacy ratio compared to other banks, making it superior. CV demonstrates that NSBL is a more consistent sample bank compared to those with lower CV. Although RBBL has a stronger liquidity position than other banks, the bank does not benefit from a very high ratio as it does not produce enough profit. With the best efficiency ratio (income per employee), PCBL comes in first place. Compared to other, RBBL's asset quality is greater.

Return on assets, liquidity ratio, assets quality ratio, and efficiency ratio all have a positive link with one another. A positive correlation coefficient shows a direct link, meaning that as the liquidity ratio improved, the quality and efficiency ratios of the assets also increased, which in turn raised the return on assets. There is a statistically significant positive correlation between the management efficiency ratio and return on assets since the P-value for the ratio is smaller than the significance value. For the liquidity, assets quality, and capital adequacy ratios, the p-value is greater than the significance value. Return on assets, liquidity ratio, assets quality ratio, and capital

adequacy ratio all show a statistically insignificant positive correlation. In a similar vein, return on assets and capital adequacy ratio are negatively correlated. A reversal relationship is shown by a negative correlation coefficient.

Return on equity has a positive and significant association with both the liquidity ratio and the assets quality ratio. Return on equity and capital adequacy ratio have a statistically significant negative association. Return on equity and management efficiency ratio are negatively correlated and not statistically significant. The capital adequacy ratio's beta value is negative, and its p-value is below the significance level. This suggests that the capital adequacy ratio significantly affects the bank's profitability by having a negative impact on return on assets. The empirical findings of Pradhan (2017), Serwadda (2018), Mohanty and Sarkar (2020), and Zerihul (2021) are in line with this outcome. The liquidity ratio's beta value is negative, and its P-value is greater than the level of significance. It suggests that the return on assets is negatively impacted by the liquidity ratio, albeit negligibly. The total deposit divided by the total assets, or asset quality, has a positive beta and a p-value that is higher than the significance level. This suggests that the return on assets is positively impacted, if somewhat. by the quality of the assets. The findings of Budhathoki and Rai (2020), who discovered that the assets quality ratio has a major impact on the bank's profitability, are in conflict with this outcome. The management earning ratio's beta value is positive, and the p-value is below the significance limit. This suggests that the management efficiency ratio significantly improves.

CHAPTER-V
SUMMARY AND CONCLUSION

5.1 Summary

The financial environment in Nepal has changed significantly during the last 20 years. The World Bank claims that a significant number of financial institutions in both the public and private sectors have been established as a result of Nepal's industrial sector's explosive growth and the country's diverse spectrum of economic risks. Nepal has a wide spectrum of dangers, and its industrial sector has expanded quickly. The current study examines the factors that affect RBBL, NSBL, and PCBL profitability from a conclusion-oriented perspective.. It is split into two halves. Studies were carried out to appraise and analyze the profitability components of financial institutions, including but not limited to RBBL, NSBL, and PCBL. The conclusions of the study were informed by the research findings. The first chapter's discussion of the prior researcher's growth and advancement in understanding the pertinent issue or study topic was followed up on in the second chapter. It also made an effort to understand a few of the concepts employed in this research. Additionally, it examined and compiled the results of earlier studies to give insight into the environment in which they conducted their study and to prevent repetition.

A quantitative research technique was applied in order to accomplish this purpose. In order to improve the effectiveness and instructional value of this study, the researcher has employed financial tools. This study, which took place between 2013/14 and 2022/23 and spanned a ten-year period from 2013, used data from RBBL, NSBL, and PCBL. In this part, the researcher has attempted to synthesize the results of the profitability determinants of the sample banks used in the study. The liquidity ratio and the assets quality ratio have a positive but negligible link with return on assets, according to Pearson correlation analysis. While the efficiency ratio has a positive and statistically significant impact on return on assets, the capital adequacy ratio has a negative and statistically insignificant association with return on assets.

Return on equity has a favorable and significant association with the liquidity ratio and the quality of the assets. Return on equity and capital adequacy ratio have a

statistically significant negative association. Return on equity and management efficiency ratio are negatively correlated and not statistically significant. When comparing the financial performance of commercial banks, RBBL ranks highest based on return on equity, return on assets, liquidity ratio, and assets quality ratio. It indicates that it has more effective financial performance than other banks in the sample. While PCBL has better financial performance than other banks on the management efficiency ratio, NSBL banks perform better than other banks on the capital adequacy ratio.

5.2 Conclusion

Recommendations regarding the financial performance of commercial banks have been made in light of the study's conclusions. There has also been discussion of the study's weaknesses and recommendations for more research. The purpose of the study was to evaluate the effects of the commercial bank's financial performance on the ratios of capital adequacy, liquidity, assets quality, and management efficiency. The study's conclusions show that RBBL outperforms other banks in terms of average return on equity, return on assets, liquidity ratio, and asset quality ratio. The capital adequacy ratio is highest for NSBL, whereas the management efficiency ratio is greater for PCBL. It shows that every sample bank satisfies the capital adequacy requirement set by the NRB. The bank has determined how to handle the issue while improving the caliber of the assets. The advantages of efficiently managing people and other resources are shown by the management efficiency ratio.

5.3 Implications

Several conclusions and important findings from the study on the factors influencing the performance (profitability) of the pertinent sample bank have led to certain consequences. To improve the overall performance of all commercial banks, the following issues have been flagged for further discussion.

- Throughout the evaluation period, all banks' capital adequacy ratios met the NRB norm, however they showed some fluctuations. Thus, it is advised to keep things steady and, if at all feasible, raise core capital funds in order to raise the capital adequacy ratio.

- Commercial banks' liquid assets are crucial for meeting their short- and long-term obligations. There is a significant chance that a bank may go through liquidation if its liquid assets are not adequately maintained. Although the three banks' liquidity ratios appear to be extremely excellent overall, they should exercise caution and work to improve their liquidity situation by raising the ratios of cash and bank balances.

- The assets quality ratio of all banks is in satisfactory level.

- Banks' earning quality ratios, such as ROA, have a tendency of fluctuations. Therefore, all banks advised that in order to boost profits and improve the bank's overall financial performance, operational costs should be kept to a minimum by improving staff productivity.

- When it comes to explaining the variation in ROA for commercial banks in Nepal, bank-specific variables have a considerably greater explanatory power than external factors. Therefore, while developing strategies to increase their performance or profits, banks in Nepal should not only be concerned with their internal structure and policies, but also with the macroeconomic environment.

- The goal of the study was to look at the variables that affect Nepal's commercial banks' profitability. All factors that may have an impact on the profitability of Nepalese banks were not included in the variables utilized in this statistical study. Future studies may thus take into account variables like the quantity of branches, governmental regulations, and the overall money supply.

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Appendix: I

For RBBL

Fiscal year	Return on Assets		Return on Equity		Capital Adequacy ratio	
	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$
2013/14	1.5	0.0353	76.96	2252.55	4.62	44.02
2014/15	3.33	2.6962	69.56	1604.88	10.16	1.2
2015/16	1.42	0.0718	27.36	4.58	10.46	0.63
2016/17	1.6	0.0077	26.48	9.11	10.39	0.75
2017/18	1.85	0.0262	19.19	106.28	11.22	0.001225
2018/19	2.23	0.2937	23.38	37.44	13.39	4.56
2019/20	1.64	0.0023	19.01	110.02	12.64	1.92
2020/21	1.1	0.3457	11.94	308.32	13.46	4.86
2021/22	1.3	0.1505	14.02	239.6	13.29	4.14
2022/23	0.91	0.6053	7.09	502.16	12.92	2.77
Total	16.88	4.2347	294.99	5174.94	112.55	64.85
Mean	1.688		29.499		11.255	
S.D.	0.69		23.979		2.68	
C.V.	40.20%		81.28%		23.81%	

Fiscal year	Total Deposit /Total assets		Cash Reserve ratio (CRR)		Profit per employee earning	
	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$
2013/14	87.52	5.78	19.43	90.95	727.98	792648.51
2014/15	89.01	15.17	14.48	21.04	1824.7	42605.87
2015/16	87.85	7.48	14.17	18.29	953.56	441863.45
2016/17	88.5	11.46	9.64	0.064	1235.01	146902.1
2017/18	83.21	3.63	5.87	16.18	1881.37	69212.09
2018/19	83.59	2.33	6.53	11.31	2407.69	623155.36
2019/20	86.56	2.09	7.77	4.51	2213.001	353683.43
2020/21	85.11	0.000025	7.63	5.12	1565.45	2791.864
2021/22	78.17	48.23	6.36	12.48	2009.75	153242.42
2022/23	81.63	12.15	7.05	8.08	1364.37	64474.4
Total	851.15	108.32	98.93	188.02	16182.88	2690579.49
Mean	85.115		9.86		1618.2881	

S.D.	3.46		1.05		546.77	
C.V.	4.06%		10.59%		33.79%	

Appendix: II

For NSBL

Fiscal year	Return on Assets		Return on Equity		Capital Adequacy ratio	
	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$
2013/14	1.51	0.0036	20.35	37.466	13.28	0.6756
2014/15	1.8	0.1225	18.87	21.5389	14.03	0.0052
2015/16	1.7	0.0625	19.25	25.2104	13.49	0.3745
2016/17	1.54	0.0081	14.78	0.3036	15.71	2.5856
2017/18	1.97	0.2704	15.81	2.4996	15.15	1.098
2018/19	1.94	0.2401	16.19	3.8455	14.12	0.000324
2019/20	1.16	0.0841	10.44	14.3565	15.55	2.0967
2020/21	0.7	0.5625	6.26	63.5049	13.86	0.05856
2021/22	1.07	0.1444	9.57	21.7063	13.25	0.7259
2022/23	1.06	0.1521	10.77	11.9647	12.58	2.3165
Total	14.45	1.6503	142.29	202.396	141.02	9.9369
Mean	1.45		14.229		14.102	
S.D.	0.43		4.74		1.05	
C.V.	29.60%		33.31%		7.44%	

Fiscal year	Cash reserve ratio		Total Deposit /Total Assets		Earning per Employee	
	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$
2013/14	7.14	0.008281	89.23	43.138	1520.57	47716.03
2014/15	9.03	3.924	87.09	19.607	1787.64	2364.88
2015/16	9.86	7.901	83.04	0.142	1961.53	49515.15
2016/17	8.97	3.69	81.77	0.792	2003.71	70066.09
2017/18	6.7	0.121	82.18	0.232	2323.2	341277.96
2018/19	9.51	6.056	82.77	0.0116	2227.91	239023.21
2019/20	6.86	0.0357	83.44	0.605	1537.2	40727.28
2020/21	3.08	15.752	77.09	31.02	996.36	551529.02
2021/22	3.78	10.686	78.19	19.998	1800.34	3761.37
2022/23	5.56	2.217	81.82	0.7089	2131.64	154158.32
Total	70.49	50.390981	826.62	116.2545	17390.1	1500139.31

Mean	7.049		82.662		1739.01	
S.D.	2.367		3.594		408.27	
C.V.	33.50%		4.35%		23.48%	

Appendix: III

For PCBL

Fiscal year	Return on Assets		Return on Equity		Capital Adequacy ratio	
	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$
2013/14	1.46	0.0121	15.3	2.29	12.4	0.59
2014/15	1.63	0.0036	17.21	11.73	12.16	1.02
2015/16	1.7	0.0169	19.25	29.877	14.96	3.21
2016/17	1.89	0.1024	15.56	3.15	13.28	0.012
2017/18	1.82	0.0625	15.4	2.61	12.24	0.86
2018/19	2.15	0.3364	16.4	6.84	12.76	0.17
2019/20	1.48	0.0081	10.97	7.92	13.84	0.45
2020/21	1.78	0.0441	13.65	0.018	14.82	2.73
2021/22	1.33	0.0576	10.32	11.99	13.12	0.0023
2022/23	0.47	1.21	3.78	100.08	12.1	1.14
Total	15.711	1.8537	137.84	176.505	131.68	10.184
Mean	1.57		13.784		13.168	
S.D.	0.45		4.43		1.06	
C.V.	28.66%		32.14%		8.05%	

Fiscal year	Cash reserve ratio		Total Deposit /Total Assets		Profit per Employee	
	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$	X	$(X-\bar{X})^2$
2013/14	16.27	41.99	89.52	67.73	1713.46	172875.5
2014/15	10.43	0.409	89.53	67.89	2059.64	4844.58
2015/16	9.86	0.0049	83.06	3.13	3415.08	1653376.79
2016/17	12.6	7.89	84.75	11.97	2570.83	194999.08
2017/18	12.14	5.52	76.42	23.71	2470.13	116203.95
2018/19	10.13	0.12	75.34	35.4	3032.82	816451.39
2019/20	7.3	6.2	78.49	7.84	1534.75	353421.93
2020/21	6.81	8.88	80.89	0.16	2126.48	7.634
2021/22	5.53	18.15	76.16	26.32	1742.09	149887.45
2022/23	6.92	8.24	78.82	6.1	627.15	2256283.38
Total	97.99	97.404	812.98	250.25	21292.43	5718351.68

Mean	9.79		81.29		2129.243	
S.D.	3.29		5.27		797.102	
C.V.	33.61%		6.48%		37.44%	

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ABSTRACT The present study focuses on the determinants of profitability in Nepalese Commercial bank. The researcher made use of financial instruments to make this Investigations more effective and educational. To achieve this goal, quantitative research approach was used. The researcher has used financial instrument in order to make this study more effective and educational. Data from RBB, NSBL and PCBL were utilized in this study, which took place between 2013/14 and 2022/23 and covered a 10 years period from 2013. The researcher has tried to combine the findings of Financial Analysis of sample commercial banks that were utilized in the study in this section. From the result it can be concluded that liquidity ratio, capital adequacy ratio, assets quality, efficiency ratio have a positive relationship with profitability of sample commercial bank. Key Words: Capital Adequacy Ratio, Management Efficiency, Assets Quality, Efficiency Ratio CHAPTER:I INTRODUCTION 1.1 Background of the Study The banking industry is crucial to the health of the financial markets and has a big influence on economic growth. A bank's sound financial standing provides a guarantee to its depositors as well as to its shareholders, staff, and the whole economy. In response to this dictum, attempts have occasionally been made to assess each bank's financial standing and administer it in an efficient and effective manner (Sangmi & Nazir, 2010). Assessing a bank's performance is an important issue that may be looked at in a number of ways. The banking industry's development, which is seen as the cornerstone of every nation's economy, is one of the primary indicators of that growth's financial stability, and an examination of its structural components is an essential first step in identifying the problems and challenges that the nation faces (Prodanovetal, 2022, Sangmi & Nazir, 2010). The success of commercial banks can be impacted by both external and internal variables. While external factors are classified as microeconomic variables, internal factors are especially tied to banks. Internal factors are particular characteristics of the bank that have an impact on the performance of the bank. These characteristics