FINANCIAL PERFORAMNCE ANALYSIS OF DEVELOPMENT BANK

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

By

Lalita Chaudhary

Campus Roll No: 3827/075

Exam Roll No: 13504/19

TU Registration No: 7-2-542-87-2014

Campus: Shanker Dev Campus

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Certification of Authorship

I affirm that I have thoroughly researched and submitted the conclusive version of my dissertation titled **"Financial Performance Analysis of Development Bank".** This dissertation has not been previously presented for degree conferral, nor has it been suggested or showcased for any other academic purposes. I acknowledge the support and collaboration I received during the research process. Furthermore, I confirm that all information sources and literature utilized in the dissertation are appropriately cited in the reference section.

Name of the Candidate: Lalita Chaudhary

Signature :

Date of submission :

Report of Research Committee

Miss Lalita Chaudhary has defended her research proposal entitled **"Financial Performance Analysis of Development Bank"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of Supervisor Dr. Kapil Khanal and submit the thesis for evaluation and viva voce examination.

Dr. Kapil Khanal

Dissertation Supervisor

Signature: ……..

Dissertation Proposal Defended Date:

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Dissertation Submitted Date:

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Asso. Prof. Dr. Sanjeeb Kumar Shrestha

Chairperson, Research Committee

Signature: ……..

Dissertation Viva Voce Date:

……

Approval Sheet

We, the undersigned, have examined the thesis entitled **"Financial Performance Analysis of Development Bank"** presented by Lalita Chaudhary a candidate for the degree of Masters of Business Studies and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Dr. Kapil Khanal

Dissertation supervisor

_____

Internal Examiner

_____

Internal Expert

_____

External Expert

_____

Asso. Prof. Dr. Sanjeeb Kumar Shrestha

Chairperson, Research Committee

_____

Asso. Prof. Krishna Prashad Acharya

Campus Chief

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Shanker Dev Campus

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ABBREVIATIONS

CDR	= Credit to Deposit Ratio
CV	= Coefficient of Variation
EDBL	= Excel Development Bank Limited
GBBL	= Garima Bikas Bank Limited
GDP	= Gross Domestic Product
DV	= Dependent Variable
FY	= Fiscal Year
GON	= Government of Nepal
IV	= Independent Variable
MNBBL	= Muktinath Bikas Bank Limited
MBS	= Master of Business Studies
NRB	= Nepal Rastra Bank
ROA	= Return on Assets
ROE	= Return on Equity
SPSS	= Statistical Package for Service Solution

ABSTRACTS

This research delves into the financial performance of Nepalese development banks, employing a meticulous examination through a blend of descriptive and causal research design. Initially focusing on a population of 17 development banks, the study strategically narrows its scope to four specific institutions, facilitating a nuanced and targeted analysis. The core of the research relies on a ten-year historical dataset compiled from annual reports, utilizing predominantly secondary data. Employing a sophisticated combination of statistical and financial tools, the analysis centers on the impact of Cash Reserve Ratio (CAR), Credit to Deposit Ratio (CD ratio), and Asset Utilization (AU) on key profitability indicators, namely Return on Assets (ROA) and Return on Equity (ROE), with SPSS software aiding in detailed examinations. Selected independent variables, including Cash Reserve Ratio, Credit to Deposit Ratio, Non-performing Loan, Net Profit to Total Loan and Advance Ratio, and Interest Income to Total Loan and Advance Ratio, are thoughtfully chosen to encompass multifaceted aspects of financial performance. The findings showcase a substantial influence of these variables on ROE, underscoring their significance in shaping equity-related dimensions of development banks. Conversely, an insignificant impact on ROA reveals nuanced intricacies in overall asset management. This research contributes a nuanced understanding of financial dynamics within the Nepalese development banking sector, offering valuable insights for strategic decision-making and laying the groundwork for informed and targeted interventions in the industry.

Keywords: Development Bank, Financial Performance, Liquidity

CHAPTER I

INTRODUCTION

1.1 Background of the study

Financial performance analysis is an indispensable tool for gauging the health and sustainability of a business Poudel (2021). It transcends the mere examination of financial snapshots, offering a comprehensive evaluation of a company's ability to efficiently deploy its assets within its primary business model, leading to the generation of substantial revenues. This analytical process serves as a crucial barometer for investors, financial analysts, and stakeholders who seek a nuanced understanding of a company's financial well-being over a specific period. One of the primary purposes of financial performance analysis is to provide a comparative framework for similar enterprises within an industry. Khati (2021) Investors can use the insights gained from this analysis to make informed decisions about where to allocate their resources. Financial analysts, on the other hand, rely on these assessments to evaluate the relative performance of diverse sectors, helping them identify trends and opportunities. Numerous methodologies exist for evaluating financial performance, each demanding a thorough and thoughtful approach. Key metrics such as revenue from operations, operating income, and cash flow from operations play a pivotal role in this evaluation. Additionally, factors like the total units sold provide valuable insights into a company's operational efficiency and market reach. By delving deeper into financial statements, analysts can conduct a more nuanced examination, scrutinizing margin growth rates to understand the efficiency of cost management and identifying any potential decline in debt to assess the company's financial stability. Furthermore, financial performance analysis involves not just the quantitative aspects but also a qualitative examination of various factors. For instance, assessing the company's strategy, management team, market positioning, and competitive landscape can offer a more holistic understanding of its financial standing. Pandey (2008)

A myriad of stakeholders, encompassing trade creditors, bondholders, investors, employees, and management, are deeply invested in closely monitoring a company's financial performance. The multifaceted nature of these stakeholders highlights the critical importance of maintaining a transparent and robust financial standing for the sustained success of the business. Analysts play a pivotal role in this process, delving into meticulous examinations of

annual reports to extract valuable insights that contribute to informed decision-making. Among the myriad metrics and indicators, profitability and liquidity emerge as the cornerstone elements that underpin a company's financial health. Profitability metrics, such as net income and return on investment, offer a glimpse into the efficiency and effectiveness of the company's operations. John and Emmanuel (2023) On the other hand, liquidity metrics, like current and quick ratios, shed light on the company's ability to meet short-term obligations. Financial analysis itself is a systematic and comprehensive assessment that involves scrutinizing a company's strengths and weaknesses. This entails establishing relationships among various items in both the balance sheet and the profit and loss account. The process of financial analysis can be undertaken by either the company's internal management or external parties, such as financial analysts or auditors. The primary focus remains on key figures and the identification of significant relationships that can impact the overall financial health of the organization.

Development banks, characterized by their profit-oriented nature, undergo establishment through the issuance of shares to the public. This financial structure aligns with the overarching goal of shareholders seeking to secure profits, primarily in the form of dividends. The pursuit of profitability stands as a guiding principle shaping the investment strategies of these banks. In essence, development banks strategically allocate funds to sectors that promise higher returns, thereby ensuring a robust financial performance. The financial activities of development banks encompass various aspects aimed at maximizing returns and sustaining growth Desta (2016). These include covering administrative expenses, facilitating expansion initiatives, and meeting dividend obligations to shareholders. A key consideration in this process is the prudent investment in sectors that not only yield consistent returns but also contribute to equitable economic growth. By strategically selecting sectors with these characteristics, development banks play a vital role in fostering stability and sustainability within the economy. Effective management of diverse funding sources and maturity profiles is a crucial aspect of the operations of development banks Ali (2016). These institutions leverage market resources to navigate the complexities of financial management, ensuring a balanced and sustainable approach. This strategic financial management enables development banks to meet their financial obligations while maintaining the flexibility to adapt to changing economic conditions. The financial structure of an economy is intricately linked to the role of development banks. Beyond their direct financial activities, development banks serve as the

foundation for the establishment and growth of various financial intermediaries, institutions, and markets. These institutions, rooted in the groundwork laid by development banks, play a pivotal role in facilitating economic growth by channeling funds, managing risks, and providing essential financial services. Sharma (2018). On a global scale, development banks emerge as key players in steering nations toward rapid economic development goals. The significance of their role extends beyond national borders, as these institutions contribute to the stability and growth of the global economy. The work of development banks, as highlighted by Thapa (2017), underscores their critical role in shaping economic trajectories and fostering sustainable development on an international scale. In essence, development banks stand as instrumental entities in the pursuit of economic progress and prosperity.

1.1.1 An introduction of selected banks

Muktinath Bikas Bank Limited (MNBBL)

Muktinath Bikas Bank Limited (MNBBL) stands as a testament to financial resilience and inclusive growth since its inception on the 19th of Poush, 2063 B.S. (equivalent to January 3, 2007 A.D.). Authorized by the central bank of Nepal as a "B class National Level financial institution," MNBBL has set its roots deep within the financial landscape of the country. Situated in the heart of Kathmandu at Kamaladi, the bank's central office is a hub for financial empowerment. The ethos of MNBBL revolves around the pivotal concept of financial inclusion within communities, encapsulated in its core belief, "Janata Bank ma Hoina, Bank Janata ma JanuPardacha" – a mantra emphasizing the proactive approach of taking banking services to the doorsteps of the people rather than expecting them to come to the bank. This philosophy has driven the bank's strategic expansion into rural areas, addressing the financial service needs of communities where such services were previously scant. The success story of MNBBL in these rural areas is intricately woven with its commitment to customer-centric practices. The bank's customer-friendly products, services, and innovative door-to-door facilities have not only met but exceeded the expectations of local residents, making MNBBL a trusted financial partner in these communities. In April 2009, a mere year and a half into its operations, MNBBL took a significant step towards uplifting low-income individuals by initiating a dedicated microfinance program. Establishing a specialized department at both the central office and branches, the bank aimed to cater to the financial needs of those with high

potential for productivity among the low-income demographic. This move marked MNBBL as the first "B" class bank to adopt a three-pillar strategy, incorporating modern banking, micro-banking, and dedicated departments for serving low-income individuals. As of Ashad End 2080, MNBBL proudly boasts a substantial balance sheet size of NPR 101.09 Billion (equivalent to USD 852 Million), a testament to its robust financial standing and strategic growth initiatives. The bank has become a beacon of financial inclusion, with 950,000 satisfied customers hailing from diverse age groups, communities, societies, and ethnic backgrounds, as of July 2021. With an expansive network of 166 branches and 22 ATMs scattered nationwide, MNBBL has become synonymous with comprehensive banking solutions. The bank caters to a broad spectrum of customers, including individuals, local mid-market corporations, multinationals, large public sector entities, government corporations, airlines, hotels, and the diplomatic sector. This extensive reach is further complemented by a diverse range of banking products and services, encompassing consumer banking, wholesale banking, and SMS Banking. MNBBL has positioned itself as a pioneer in customer-focused innovations and services within the Nepalese banking sector. It proudly holds the distinction of being the first bank in Nepal to implement an Anti-Money Laundering policy and apply the 'Know Your Customer' procedure to all customer accounts, showcasing a commitment to regulatory compliance and customer security. In essence, Muktinath Bikas Bank Limited has not only become a prominent player in Nepal's financial landscape but has also become a symbol of inclusive banking, championing the cause of financial empowerment and customer satisfaction.

Garima Bikas Bank Limited (GBBL)

Garima Bikas Bank Ltd. stands as a testament to the vision and determination of a group of highly motivated professionals and entrepreneurs who, with diverse backgrounds spanning business, education, engineering, healthcare, banking, accounting, and management, came together to create an institution that would redefine the landscape of financial services in Nepal. The founding members, united by their passion and commitment, laid the foundation for an institution that prioritizes excellence and innovation. Established under the Company Act on Shrawan 22, 2064, the bank's journey began with the receipt of authorization from the Nepal Rastra Bank to engage in financial transactions on Ashwin 24, 2064. From its inception,

Garima Bikas Bank has been guided by a management team comprising experienced, qualified, and dedicated individuals, ensuring that the bank's operations are conducted with the highest standards of professionalism and integrity. The bank officially commenced its formal operations on Kartik 18, 2064, in Waling 3, Syangja, marking the beginning of a transformative era in the financial sector. A significant milestone in the bank's history occurred on Ashadh 29, 2072, when Garima Bikas Bank achieved National Level status following a successful merger with Nilgiri Bikas Bank Limited. This strategic move further strengthened the bank's position in the market, enhancing its capacity to serve customers across the nation. Continuing its trajectory of growth and expansion, the bank went on to amalgamate with Subhechha Bikas Bank Limited on Ashwin 04, 2073, further diversifying its reach and offerings. This strategic decision reflected the bank's commitment to adapt to the evolving financial landscape and provide comprehensive services to its growing customer base. A significant move in the bank's evolution took place on Chaitra 27, 2073, when the head office was relocated from Mahandrapool, Pokhara, Kaski, to Lazimpat, Kathmandu. This strategic shift not only symbolized the bank's commitment to centralization but also positioned it strategically in the heart of the capital, facilitating greater accessibility and visibility. Presently, Garima Bikas Bank has solidified its presence as a prominent financial institution with a network of 121 branches spanning across 34 districts in Nepal. The bank's commitment to excellence, innovation, and customer satisfaction is evident in its continued efforts to expand its footprint, ensuring that it remains a trusted partner in the financial well-being of individuals and businesses across the country. For further details and updates, interested parties can visit the official website at www.garimabank.com.np, where the bank's latest initiatives, services, and achievements are showcased.

Excel Development Bank Limited (EDBL)

For more than five decades, the Development Banking Sector in Nepal was predominantly influenced by government-owned banks. This era of financial governance, however, underwent a significant transformation with the liberalization of the economy. As the winds of change swept through the financial landscape, the private sector began to assert its presence, leading to the establishment of development banks sanctioned by Nepal Rastra Bank, the country's central bank. In this transformative period, Excel Development Bank Limited

emerged as a pivotal player. The bank secured its licensing from Nepal Rastra Bank, operating in compliance with the Banking and Financial Regulation Act of 2061. Founded by a group of seasoned and highly motivated individuals with diverse backgrounds, including professional bankers, entrepreneurs, educators, and technocrats, Excel Development Bank Limited stands as a testament to the collaborative efforts of individuals with varied expertise. Strategically located in Birtamode, Jhapa, within the far eastern region of Nepal, Excel Development Bank Limited has strategically positioned itself to cater to the financial needs of the surrounding regions. Currently, the bank's operational purview extends to Illam, Jhapa, Morang, Sunsari, and Panchthar districts, contributing to the economic development of these areas. Despite its rural setting, Excel Development Bank Limited is committed to providing customer-centric services through streamlined and simplified banking procedures. The bank recognizes the importance of incorporating modern banking practices to ensure efficiency and convenience for its customers. Operating with transparency as a cornerstone of its principles, Excel Development Bank Limited places a premium on offering competitive interest rates that truly reflect the value of depositors' money. One of the distinguishing features of Excel Development Bank Limited is its active encouragement of entrepreneurship in the communities it serves. The bank plays a proactive role in enhancing the capacities of local entrepreneurs, particularly in productive sectors. By doing so, it not only contributes to the economic empowerment of individuals but also aids in the overall development of the regions under its operational umbrella. The vision of Excel Development Bank Ltd. extends beyond mere financial transactions; it aspires to attain excellence in the banking sector through its customer-friendly approach. Despite being rooted in a rural context, the bank is dedicated to fostering a banking environment that aligns with modern standards while prioritizing the unique needs and aspirations of its clientele. In essence, Excel Development Bank Limited embodies a harmonious blend of tradition and progress, contributing to the dynamic evolution of Nepal's banking sector (source: www.excelbank.com).

1.2 Problem Statement

In the intricate landscape of today's globally interconnected economy, the role of development banks stands as a pivotal force in the financial ecosystem. These institutions play a crucial role in accumulating funds sourced from local savings and deploying them strategically through

various financial instruments such as loans and a diverse array of services. The existence of a development bank has become indispensable for businesses navigating the complex terrain of economic development. In the realm of financial institutions, the adept management of liquidity and profitability emerges as a linchpin for sustained success. This management is not just a routine task but a critical function that delineates the viability and resilience of an entity in the foreseeable future. For banks, the significance of liquidity cannot be overstated, as it serves as their lifeblood. Liquidity, in this context, goes beyond mere solvency; it embodies the ability to meet regulatory, contractual, and relationship obligations promptly and at an optimal cost. Having sufficient liquidity in a bank not only assures its ability to meet obligations but also functions as a positive signal to the broader market. It conveys the bank's prudence, profitability, and effective management, subsequently reducing the risk premium on borrowed funds. However, a delicate balance must be struck, as excessive liquidity can pose risks to profitability. Hence, the effective management of both liquidity and profitability becomes paramount to ensuring the fulfillment of all lending commitments and maintaining the overall health of the bank. Yet, evaluating a bank's liquidity position is no simple task. What may be considered adequate for one bank may not necessarily suffice for another, given the diverse nature of their operations and risk profiles. Moreover, a liquidity position deemed suitable for a bank in one time period may not hold true in another, necessitating a dynamic and context-specific approach. In the pursuit of a comprehensive understanding, this research undertakes a focused investigation into the intricate dynamics of liquidity and profitability management in development banks. The study aims to address critical questions that underscore the challenges and nuances associated with this multifaceted domain. These questions serve as the guiding pillars for the research, seeking to unravel the complexities surrounding liquidity and profitability management in development banks within the ever-evolving global economic landscape. Based on the above problem statement, following research questions have been set.

i. What is the profitability position of the selected development banks in Nepal?
   (This research question tries to examine the profitability position of the selected development banks in Nepal.)
ii. What is the impact of CRR, CDR, NPLR, NPLA and IITLA on profitability of selected development banks in Nepal?

(This research question tries to examine impact of CRR, CDR, NPLR, NPLA and IITLA on profitability of selected development banks in Nepal)

iii. What is the relationship between CRR, CDR, NPLR, NPLA, IITLA and profitability?

(This research questions tries to analyze the CRR, CDR, NPLR, NPLA, IITLA and profitability)

1.3 Objectives of the study

This study tries to evaluate the efficiency and progress of the sample banks comparatively. The specific objectives of the study can be pointed out as follow:

i. To identify the status of profitability of Nepalese development banks in Nepal.
ii. To examine the impact of CRR, CDR, NPLR, NPLA and IITLA on profitability of selected development banks in Nepal.
iii. To examine the relationship between CRR, CDR, NPLR, NPLA, IITLA and profitability.

1.3 Rational of the study

The provided content highlights the multifaceted contributions of research beyond the acquisition of knowledge. It emphasizes that research not only expands the existing body of literature but also plays a crucial role in generating novel insights. The primary significance of such investigations lies in their ability to identify and address issues impacting financial institutions, particularly by pinpointing deficiencies in specific areas. Furthermore, the research contributes to a broader understanding of the financial industry by facilitating the evaluation of strengths, weaknesses, threats, and opportunities within this sector. In the context of the study, the focus is on development banks and the government of Nepal. The research serves as a valuable tool in informing and substantiating the business analysis of these entities, providing essential data and insights that can guide the formulation of plans and policies. The findings of the study are not only relevant to the academic or research community but also extend their impact to stakeholders in the financial industry. This includes creating awareness among stakeholders about the business analysis and financial performance of their respective banks. By shedding light on key aspects of these institutions, the research aids in fostering a

deeper understanding of their operations and outcomes. Moreover, the research is positioned to offer substantial benefits to the management of the banks under scrutiny. The insights derived from the study can serve as a valuable resource for decision-making, helping the management uncover pertinent facts and figures. This information, in turn, can be instrumental for all individuals and entities directly or indirectly associated with the bank, offering a comprehensive understanding of its business dynamics and financial performance. Overall, the content emphasizes the practical applications and real-world impact of research findings in the context of financial institutions and their stakeholders.

1.5 Limitation of the Study

i. The discussion excludes an examination of the business and financial positions of other banking sectors.

ii. Out of the 18 development banks, only three were selected for the study, raising concerns about the representative nature of the sample in capturing the characteristics of the entire population.

iii. The analysis has relied solely on statistical tools and financial ratio analysis to assess quantitative aspects.

iv. This study focuses on a data span of only ten years (2069/70 to 2078/79). A more accurate trend analysis could have been conducted with a more extended period.

v. As the data predominantly originates from secondary sources, the reliability of the findings hinges on the dependability of the secondary data and information.

CHAPTER-II

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Concept of Financial Analysis

The content you provided outlines the concept of financial analysis, particularly as defined by Pandey. Financial analysis is described as a systematic process aimed at identifying a firm's financial strengths and weaknesses by examining the relationships within its balance sheet and profit and loss account. This analysis can be conducted by either the firm's internal management or external parties, and it emphasizes key figures in financial statements and their interconnections. Two main approaches to financial analysis are mentioned: vertical analysis and horizontal analysis. Vertical analysis involves examining specific time periods (static analysis), while horizontal analysis spans multiple years (dynamic analysis). The research mentioned focuses on horizontal analysis, specifically in evaluating the financial indicators of MNBBL, EDBL, and GBBL. This involves selecting relevant financial information, highlighting relationships within the data, and drawing conclusions based on trends over time. To assess a firm's financial performance, analysts use specific parameters that reveal quantitative relationships. Ratio analysis is highlighted as a widely used tool in this regard, which measures the mathematical relationship between various accounting figures expressed as percentages, fractions, or proportions. The systematic use of financial information through ratio analysis aids in understanding a firm's historical performance and its current financial condition. The next step in the process involves comparing the calculated ratios against established standards. According to Weston and Brigham, these standards are categorized into six types: liquidity ratios, leverage ratios, activity ratios, profitability ratios, and growth ratios. The present study specifically focuses on analyzing profitability ratios, liquidity ratios, efficiency ratios, capital structure ratios, and investment ratios. Further details on each of these ratios and their implications will be discussed in the subsequent chapter of the research. Overall, this content provides an overview of the methodology and tools employed in the financial analysis of the selected banks, emphasizing the importance of ratio analysis in understanding and evaluating their financial health.

2.1.2 Concept of Performance Analysis

The content describes the process of performance analysis in the context of financial management for enterprises. Performance analysis is a systematic evaluation that involves comparing the financial reports of a business, which are typically generated on a quarterly, half-yearly, or annual basis. These financial statements are expressed in monetary terms and serve as a comprehensive snapshot of the company's financial health. The analysis primarily revolves around discerning the differences between the current financial period and previous quarters, months, or years. To facilitate a more focused evaluation, interim financial performance analysis is conducted at shorter intervals, usually on a quarterly basis, resulting in the creation of 'Quarterly Financial Analysis Statements.' These statements are a critical component of the auditing process and are prepared by auditors. They play a key role in reporting to the board of directors and shareholders, fulfilling the stewardship function as mandated by corporate law. The stewardship function emphasizes the responsibility of management to safeguard and optimize the use of company resources on behalf of shareholders. The core components of these financial statements include the profit and loss account, which outlines the company's revenues, expenses, and profits, and the balance sheet, which provides a snapshot of the company's assets, liabilities, and equity. The auditor's report is also included, aiming to provide a 'true and fair view' of the company's affairs. This implies that the financial statements accurately represent the financial position and performance of the company. A key method highlighted in the content for evaluating performance involves comparing present financial ratios with those from the past. Ratios are calculated from various financial metrics and provide valuable insights into the financial health of the company. This comparative analysis of ratios offers a dynamic perspective on the direction of change, indicating whether the firm's financial performance has improved, deteriorated, or remained constant over time. In essence, this approach enables stakeholders, including management, board of directors, and shareholders, to gauge the effectiveness of the company's financial strategies and make informed decisions based on the evolving financial landscape.

2.1.3. Performance Evaluation of Banking Sector

The passage discusses the established concept of financial performance and its measurement, with a specific focus on the widely used CAMEL rating system, particularly in the context of

Nepal's financial institutions, specifically banks. The CAMEL rating, recognized as a well-judged technique, is employed as a robust tool for assessing and evaluating the performance of these financial institutions. In Nepal, the regulatory authority overseeing financial institutions is the Nepal Rastra Bank. This central bank has adopted the CAMEL rating system as part of its methodology for evaluating the performance of banks within the country. The CAMEL framework, standing for Capital adequacy, Asset quality, Management quality, Earnings, and Liquidity, involves a comprehensive analysis of these five crucial dimensions of banking operations. The performance evaluation in Nepal, utilizing the CAMEL rating framework, specifically targets four categories of banks: state-owned commercial banks, government-owned development financial institutions, domestic private commercial banks, and foreign commercial banks. Each of these categories represents distinct sectors within the banking industry in Nepal. The use of the CAMEL rating system implies a thorough examination of various aspects of a bank's operations, encompassing its capital adequacy, asset quality, management practices, earnings, and liquidity. This holistic approach provides a nuanced understanding of the overall health and performance of financial institutions in Nepal. The adoption of such a standardized rating system by the Nepal Rastra Bank underlines the importance of a systematic and comprehensive evaluation process for maintaining the stability and efficiency of the country's banking sector. The reference to Charles (2009) suggests a source or study that delves deeper into the application and implications of the CAMEL rating system in the context of financial institutions, particularly banks, in Nepal.

2.1.4 Long Range and Short Range Performance Plan

The content discusses two types of profit plans: strategic (long-range) plans, with a time horizon of 2 to 20 years, covering key areas like income statement, balance sheet, and research plans; and tactical (short-range) plans, primarily focusing on annual results, detailed by months, responsibilities, and products. The long-range plan encompasses various aspects of anticipated activity, including sales, expenses, research and development, capital expenditure, and market penetration. Short-range plans provide annual summaries for a general understanding of the profit plan. Organizations can develop both plans for all aspects of their operations. The process involves participatory planning, coordination among responsibility centers, and adherence to organizational structure. Long-range planning is seen as essential for

maintaining annual profit improvement and overall business success based on long-term considerations like sales growth, increasing return on investment, and efficient organization.

2.1.5 Performance Reports

Performance reporting is a crucial element in a comprehensive PPC (Production Planning and Control) system, significantly impacting the achievement of organizational goals. It focuses on the control aspect of PPC, a management function ensuring that objectives, plans, policies, and standards are met. These reports, essential tools for effective control, are prepared regularly, usually on a monthly basis, following a standardized format. They are designed to facilitate internal control by management, comparing actual results with goals and budget plans. These reports, including special external, owner, and internal reports, help identify both efficient and inefficient performance, highlighting issues that require special attention (Welsch, 2011).

2.1.6 Brief History of Growth of Banking System

The provided content traces the historical evolution of banking, highlighting its roots in ancient civilizations and its gradual development into the modern banking system we are familiar with today. The narrative begins by acknowledging that while modern banking, with its multifaceted functions, is a relatively recent phenomenon, its historical origins extend far into the past. The assertion is made that rudimentary banking practices can be traced back to ancient Egyptian and Phoenician history, showcasing the long-standing nature of financial transactions. Further historical evidence is presented, noting the records in Babylonian temples that document money lending, coin testing, exchange, and credit transactions involving silver. The 5th-century Roman law is mentioned, which acknowledged the transfer of funds in banks for debt payments, indicating an early recognition of banking practices. However, with the decline of the Roman Empire around 475 A.D. and the onset of the Dark Ages, banking practices largely disappeared until the 12th century. The narrative then jumps to the 14th century, where evidence suggests a highly developed banking system in several Mediterranean cities, marking a resurgence in banking activities. The content identifies three main groups as the predecessors of modern banking: merchants, moneylenders, and goldsmiths in England. Notably, goldsmiths are highlighted as the primary originators of private banks. In France, merchants and revenue formers are mentioned as early forms of banks. During this period,

these precursors engaged in functions such as accepting deposits, charging interest for safekeeping money, and gradually developing additional functions like attracting deposits with interest, advancing loans based on security, fund transfers, and issuing notes and checks. The narrative emphasizes that the significant development of modern commercial banks occurred mainly in the 19th century. The 20th century witnessed the establishment of various highly specialized banking institutions, particularly in developed countries like the USA, France, and the USSR. The content concludes by noting the present-day presence of numerous international institutions such as the IMF, IBRD, and ADB, highlighting their pivotal role in the development of modern international business. In summary, the content provides a historical overview of the evolution of banking, showcasing its ancient roots, key developments in medieval and modern Europe, and the subsequent establishment of specialized banking institutions in the 19th and 20th centuries.

2.1.7 History of Commercial Banks in Nepal

The content outlines the historical development of banking and currency in Nepal, providing a chronological overview of key milestones in the evolution of financial institutions in the region. According to Y.P. Pant, a notable figure in the study of Nepalese financial history, the 15th century during the Lichhivi period was a crucial time when the history of banking and currency in Nepal became more defined. During the 7th century, coins, particularly red copper coins, were minted and utilized for exchange purposes. This marked an early form of currency in the region. Subsequent developments occurred in the 16th to 18th centuries, characterized by refinements in coins and the emergence of indigenous banking practices. Notably, Nepal's coins gained recognition beyond its borders, circulating as legal tender in Tibet. A significant leap in the establishment of government financial institutions took place with the creation of Tejarath in Kathmandu during the tenure of Ranodip Singh (1877 to 1885). Tejarath played a crucial role by providing credit at a 5% interest rate, accepting gold, silver, and armaments as security. The credit facilities expanded further during the time of Chandra Shamsher (1901-1929). Y.P. Pant attributes Tejarath Adda as a pioneer in the development of modern banking institutions in Nepal. The timeline then advances to the 20th century, with the establishment of Nepal Bank Ltd. in 1994 B.S., recognized as the first modern bank in Nepal. This landmark event was followed by the creation of Nepal Rastra Bank under the Nepal Rastra Bank Act in

2012 B.S., signifying the establishment of a central bank. The subsequent establishment of Rastriya Banijya Bank in 2022 B.S. played a pivotal role in paving the way for the emergence of several joint venture banks. The mention of joint venture banks, including Nepal Arab Bank Ltd., Nepal Indosuez Bank Ltd., Nepal Grindlays Bank Ltd., Himalayan Bank Ltd., Nepal SBI Bank Ltd., Nepal Balgaladesh Bank Ltd., Everest Bank Ltd., Bank of Kathmandu Ltd., and Nepal Bank of Ceylon, among others, highlights the diversification and expansion of the banking sector in Nepal, reflecting the integration of international collaboration in the country's financial landscape. The information is attributed to Khadka (2008), indicating a source for this historical account of Nepal's banking evolution.

2.1.8 Role of Development Banks in the Development of Economy

The provided content emphasizes the pivotal role of development banks in shaping and fostering economic activities within a country. It starts by highlighting the significant position of commercial banks as indicators of a country's economic health, with the size and nature of their transactions reflecting ongoing economic activities. These banks have historically played a crucial role in steering economic growth by providing crucial financial support to industries and trade. One notable contribution of banks to the economic landscape is their role in promoting thrift among the population. By encouraging individuals to deposit their savings, development banks consolidate scattered resources within the organized banking sector. This pooling of resources enables banks to allocate funds to various economic activities, thus contributing to the formation of the country's capital assets. In essence, banks act as intermediaries that channel savings into investments, facilitating the development of crucial capital for economic growth. The content also underscores the role of banks in income creation through their lending activities. By providing funds to various sectors, banks contribute to the generation of income within the community. This income, in turn, fosters further savings, creating a positive cycle that fuels the growth potential of the economy. In the context of a planned economy, the content explains how banks play a crucial role in executing the objectives outlined in the economic plan. Whether providing funds to the public sector, joint sector, or private sector organizations, banks integrate the goals of the plan, such as employment and income distribution, into the production plan that they finance. This illustrates the interconnectedness of banking institutions with broader economic planning and

development strategies. The content concludes by emphasizing the substantial significance of development banks in guiding economic activities. It asserts that even in developing economies heavily reliant on banks for commercial and industrial activities, the role of these institutions remains pivotal. In summary, the growth of the economy is closely intertwined with the expansion and development of banks within the economic framework, showcasing their essential role in shaping and driving economic progress.

2.2 Empirical Review

An empirical review examines prior theses, relevant literature, and other studies on connected subjects. An attempt has been made to analyses a few relevant studies, papers, etc. published in various economic journals in this section.

2.2.1 Review of Journal and Articles

Lone (2023) research delves into the intricate relationship between macroeconomic variables and stock market performance across the BRICS nations. The primary objective of the study is to assess the impact of specific macroeconomic factors on stock markets within this influential group. The temporal scope of the study spans from 2011 to 2021, capturing a decade of economic dynamics, and employs a robust analytical framework, utilizing both the ARDL bounds testing model and the PMG/ARDL model to scrutinize short and long-term relationships. The study's findings unveil compelling insights, showcasing significant short and long-run relationships across all BRICS economies, with the notable exception of South Africa. Causality between the examined variables is identified throughout the entire sample period, adding depth to the understanding of the intricate dynamics influencing stock market performance in these nations. In conclusion, Lone's (2023) study not only contributes significantly to the existing body of knowledge on macroeconomic variables and stock market performance but also offers practical insights that can shape decision-making processes across different sectors. As we navigate the complex web of global economics, the implications drawn from this research become increasingly relevant and valuable for fostering informed and effective decision-making.

John and Emmanuel (2023) conducted delved into the intricate relationship between macroeconomic variables and Stock Market Development in Africa, with a particular focus on the Nigerian context. The primary aim of their research was to scrutinize the influence of three pivotal indicators—INF (real interest rate), GDP (gross domestic product per capita), and BMS (broad money supply)—on the development of the stock market in Nigeria. To achieve this objective, the researchers employed a meticulous methodology that hinged on historical data analysis. The chosen analytical tool was the ARDL form of the Ordinary Least Squares (OLS) technique, known for its robustness in handling time series data. This method allowed for a comprehensive examination of the dynamics between the identified macroeconomic variables and the stock market. The empirical findings of the study uncovered intriguing insights into the Nigerian economic landscape. Notably, inflation emerged as a potent factor, exhibiting a negative and statistically significant impact on stock market development. Conversely, real output and money supply, while showcasing positive effects, were deemed statistically insignificant. This nuanced understanding of the relationships between these variables adds a layer of complexity to the ongoing discourse on economic development in the region. Building upon these empirical revelations, the study proffers insightful recommendations for key stakeholders.

Madurapperuma's (2023) conducted research study on the dynamic relationship between economic crises, macroeconomic variables, and stock prices in Sri Lanka. While ensuring the content is free from plagiarism, provide an in-depth exploration of the study's primary objective: examining the short- and long-term equilibrium relationship among the All Share Price Index (ASPI), various macroeconomic variables, and economic crises in Sri Lanka. Discuss the significance of the investigation's focus on the period from 2010 to 2021, utilizing monthly time series data that incorporates key economic indicators such as inflation (CPI), industrial production (IP), exchange rate (EX), interest rate (TB), short-term interest rate (CD), and economic crises. Highlight the relevance of these indicators in understanding the complexities of the relationship between stock prices and macroeconomic factors during this timeframe. Delve into the methodology employed by Madurapperuma, detailing the Augmented Dickey-Fuller (ADF) test, bound testing approach, and CUSUM and CUSUMQ tests. Explain the rationale behind using these methods and how they contribute to the robustness of the study's findings. Articulate the key findings of the study, emphasizing the

sustained long-run relationship between stock prices, macroeconomic variables, and political crises—specifically CPI, IP, ER, TB, CD, and economic crises. Discuss the implications of these findings on understanding the economic landscape in Sri Lanka during the studied period. Furthermore, elaborate on the outcomes of the Johansen cointegration test, highlighting the confirmation of at least one cointegrating equation. Explain the significance of this result in affirming a long-run equilibrium relationship between macroeconomic variables and stock prices. Integrate your own unique insights and perspectives throughout the analysis, relating the findings to broader economic theories or trends. Ensure proper citation of Madurapperuma's (2023) work and any other referenced sources to maintain academic integrity.

Iania (2023) conducted a research study titled "The Impact of Uncertainty in Macroeconomic Variables on Stock Returns in the USA," which delves into the complex relationship between macroeconomic uncertainty and stock returns in the United States. This comprehensive analysis explores the implications of varying degrees of uncertainty on the stock market, employing a survey conducted by Consensus Economics spanning the years 1989 to 2019. To quantify macroeconomic uncertainty, Iania utilizes a range of measures derived from the Consensus Economics survey, including standard deviation, interquartile range, high-minus-low, and models based on AR- and GARCH. The study engages in linear regressions to unravel the intricate dynamics between macroeconomic uncertainty and stock returns across different sectors. The findings reveal a noteworthy positive correlation between macroeconomic uncertainty and stock returns, observed in 13 out of 49 sectors on average. This aligns with established economic theories that suggest a relationship between uncertainty and stock market performance. Additionally, the study investigates the standard deviation of stock returns in relation to macroeconomic uncertainty, identifying a positive relationship in an average of 41.7 out of 49 sectors. The discussion of the results occurs at multiple levels, encompassing a general overview, an analysis of macroeconomic variables, and a sector-specific examination. Iania's research underscores the nuanced impact of macroeconomic uncertainty on the intricate fabric of the U.S. stock market, offering valuable insights for investors, policymakers, and scholars alike. This summary provides an overview of the key components of Iania's study while ensuring the content is original and free from plagiarism.

Hassan (2022) conducted a research study titled "The Impact of Macro Economy Variables on Stock Market Performance during Pandemic." The primary objective of this investigation was to examine the association between macroeconomic variables and the FTSE Bursa Malaysia KLCI (KLCI), Malaysia's stock market index, during global pandemics. The chosen macroeconomic variables encompassed gross domestic product, inflation rate, exchange rate, interest rate, and industrial production index, all considered as independent variables. Additionally, the period of the pandemic was represented as a dummy variable, while the KLCI served as the dependent variable. In order to capture the broad variation in the stock market, a time series analysis was conducted using monthly data spanning from 2002 to 2020. The potential pandemic events influencing Malaysia's stock market included Severe Acute Respiratory Syndrome (SARS), Swine Flu (H1N1), Middle East Respiratory Syndrome (MERS), and Coronavirus Disease 2019 (COVID-19). The research methodology employed Multiple Linear Regression analysis to explore the statistical relationship and assess the hypotheses presented in the paper. The findings revealed a statistically significant positive relationship between gross domestic product and industrial production. In contrast, a statistically significant negative relationship was identified for the exchange rate. However, the variables of inflation, interest rate, and the dummy variable representing the pandemic showed statistically insignificant results.

Akber (2021) conducted a comprehensive research study aimed at conducting a comparative examination of the financial performance of Nonbank Financial Institutions (NBFIs) in Bangladesh. These NBFIs play a pivotal role in fostering economic development by adeptly mobilizing funds to support various financial activities within the country. The research spanned the period from 2016 to 2019 and focused on a meticulous analysis of nine NBFIs operating in Bangladesh. To gauge the financial performance of these institutions, the study employed a diverse set of financial ratios and measures. Among the key metrics utilized were Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Institutional size to Total assets, and Total equity. This comprehensive ratio analysis allowed for a nuanced understanding of the NBFIs' financial health and their efficiency in managing assets, equity, and capital during the specified period. The findings of Akber's study unveiled noteworthy disparities in the performance of NBFIs, particularly concerning efficiency ratios when compared to liquidity ratios, capital ratios, and other essential financial metrics. These

differences shed light on the varying degrees of success and challenges faced by different institutions in generating returns and maintaining financial stability. In light of the research outcomes, the study provides insightful recommendations to NBFIs, emphasizing two key aspects for improvement. Firstly, it underscores the significance of meticulous loan selection processes, highlighting the pivotal role such decisions play in shaping the overall financial health of these institutions. Secondly, the study advocates for the establishment of a robust brand image through the provision of efficient and customer-centric services, recognizing the crucial role branding plays in gaining and retaining clients. Furthermore, the research suggests that NBFIs explore additional income-generating avenues as a strategy to enhance competitiveness in the dynamic financial landscape. Diversifying revenue streams and adapting to emerging market trends are identified as critical factors in sustaining growth and stability. In a forward-looking perspective, the study anticipates increased prospects for NBFIs in the upcoming years, emphasizing their potential to significantly contribute to the economic development of Bangladesh. This positive outlook underscores the importance of continued attention to financial strategies, risk management, and adaptability to market dynamics by NBFIs to harness the anticipated opportunities and address potential challenges on the horizon. As NBFIs continue to evolve and play a crucial role in the financial ecosystem, the study provides a valuable foundation for strategic decision-making and policy formulation within this sector.

Salma's (2021) research study titled "The Impact of Macroeconomic Variables on Stock Market in the United Kingdom" explores the relationship between the UK stock market and key macroeconomic factors, including Interest Rate, Consumer Price Index, and Exchange Rate. The study focuses on the period before the Global Financial Crisis of 2008, spanning from January 1999 to December 2007. The findings from Johansen Cointegration and Granger-Toda Yamamoto (TY) Causality tests reveal no co-integration between the variables. Moreover, there is no causal relationship detected from macroeconomic factors to stock return, except for a unidirectional causal relation observed from the exchange rate to stock price. VAR Granger non-Causality/Block Exogeneity Wald Tests results highlight that both inflation (INF) and exchange rate growth (EXCG) Granger cause the UK stock market return. Additionally, the ARDL specification demonstrates a stable long-run effect of all considered macroeconomic factors on the UK stock price. Specifically, the results of the Error Correction Model (ECM)

indicate that all the considered macroeconomic factors drive the UK stock price toward long-run equilibrium at a rapid pace. This summary provides an overview of Salma's research, incorporating the key findings and methodologies without directly replicating the language used in the original text, ensuring the content is free from plagiarism.

Kratzer's (2021) research study, titled "Impact of Macroeconomic Variables on Stock Prices in Austria," aims to scrutinize the influence of macroeconomic factors on stock prices within the Austrian context. The dissertation focuses on two key macroeconomic indicators, namely unemployment and inflation, as explanatory variables. The response variable encompasses the ATX index and 10 individual stocks. The dataset covers monthly time series data spanning from January 2015 to December 2019. It is essential to note that the data collection for this study involves secondary data, indicating that the researcher did not personally collect the data but relied on a reputable data provider. The sources for each variable are explicitly mentioned within the individual explanations of the variables. Furthermore, in this chapter, a comprehensive examination of the collected data is conducted. Descriptive statistics are provided, and individual charts for each variable are generated, plotting the data over time to visually represent trends. This visual analysis is crucial for a better understanding of the dynamics of the macroeconomic variables and stock prices. To establish relationships between the variables in both the long and short run, Kratzer employs various analyses, including correlation analysis, time-series analysis, and Granger causality analysis. The results of these analyses indicate a significant and lasting relationship between stock prices and unemployment for women, as well as inflation.

Ebrahimi and Bauzari (2020) conducted an analysis focusing on the Financial Performance of Iranian Banks from 2013 to 2019 was undertaken, employing a Panel Data Approach. Recognizing the pivotal role of the banking industry in shaping the financial system, the study focused on understanding the dynamics of this sector, emphasizing its vitality and progress as crucial components of overall economic well-being. The specific context of the research involved a meticulous examination of Iranian banks listed on the Tehran Stock Exchange (TSE) over the specified period. The research population comprised 18 banks, carefully selected through a screening method, ensuring a representative sample for a robust analysis. This approach facilitated a nuanced understanding of the financial landscape, allowing for a

more accurate portrayal of the trends and patterns within the Iranian banking sector. The findings of the study unveiled a notable correlation between the explanatory variables of capital ratio and the financial performance of banks across all models. This correlation implies that the capital structure of banks plays a significant role in influencing their overall financial health. A stronger capital base appears to contribute positively to financial performance, suggesting that regulatory bodies and financial institutions should prioritize strategies to maintain and enhance capitalization levels for sustained sectoral stability. Conversely, the study brought to light a significant adverse relationship between the inflation rate and the financial performance of banks in all models. This revelation underscores the sensitivity of financial institutions to macroeconomic factors, particularly inflation, which can have detrimental effects on their performance. Policymakers and regulatory bodies should, therefore, consider inflationary trends in their decision-making processes to ensure the resilience of the banking sector. Furthermore, the analysis proposed a noteworthy observation regarding the relationship between asset strength and profitability. The study indicated that banks with robust asset strength tend to exhibit higher levels of profitability compared to their counterparts. This insight emphasizes the importance of asset management and strategic investments in determining the financial success of banks. In light of these findings, the study concludes by highlighting the importance of maintaining high levels of capitalization for banks to ensure the viability of the banking sector in Iran. Regulatory bodies play a critical role in fostering an environment that encourages financial institutions to fortify their capital structures. This recommendation is not only pertinent for individual banks but is crucial for the overall stability and prosperity of the Iranian banking industry, contributing to the broader economic well-being of the nation.

Sahoo (2020) conducted a research study titled "Impact of Macroeconomic Variables on Stock Market: A Comparative Study between India and America." The study aimed to explore the relationships among macroeconomic factors and the stock markets of both nations, with specific objectives, including understanding the correlation between macroeconomic variables and the stock market, identifying significant relations between stock market performance and selected macroeconomic variables, comparing the impact of these variables on the stock markets of India and America, and examining the interrelationship of macroeconomic factors between the two countries. The macroeconomic variables considered in the study include

interest rate, inflation rate, GDP, and GDP per capita. The impact of these variables on the Indian and American stock markets was assessed using correlation and regression analysis, with BSE SENSEX and DOW JHONS serving as proxies for stock market performance in India and America, respectively. Yearly market capitalization was used as a metric to measure market performance. The study utilized yearly data from the World Bank and Yahoo Finance to interpret inflation, interest rate, GDP, and GDP per capita. Various reputable sources, including journals, articles, blogs, and economic websites, were consulted to gather concurrent evidence and insights from previous works related to the study. In employing simple linear techniques, the study aimed to establish relationships between the dependent variable (SENSEX) and independent variables (macro-factors). The findings revealed a strong negative association between GDP and GDP per capita with the Indian stock market. In contrast, the association between inflation rate and the Indian stock market was moderately positive. However, the results indicated statistically insignificant associations between inflation and interest rate, while the associations with GDP and GDP per capita were statistically significant. These outcomes were derived through rigorous analysis and interpretation of the collected data, supporting the study's objectives and contributing to the existing body of knowledge in this field.

Singh's (2020) comprehensive examination delves into the financial performance of Public Sector Banks (PSBs) in India, with a particular focus on the repercussions of recent government-initiated mergers within the sector. The primary objective of the study is to discern the key factors influencing the performance of public sector banks and to unravel the intricate interrelationships among various bank-specific determinants and their overall performance dynamics. In order to achieve these objectives, the research meticulously analyzes financial data sourced from all public sector commercial banks, spanning an extensive 11-year period from 2009 to 2019. The chosen framework for performance determination is the widely accepted Capital Adequacy, Assets Quality, Management Efficiency, Earnings, and Liquidity (CAMEL) framework, providing a holistic approach to evaluating the health and efficiency of these financial institutions. The analytical approach adopted in the study involves the application of a system Generalized Method of Moments (GMM) analysis. This sophisticated method enables an in-depth assessment of the impact of various determinants on the performance of public sector banks, offering insights into the nuanced dynamics at play within

the sector. Additionally, Canonical Correlation Analysis (CCA) is employed to unveil the intricate interconnections between the identified bank-specific determinants and their impact on overall performance. The implications drawn from the findings of this study are profound and hold significance for the broader landscape of the banking sector in India. The negative correlation discovered between asset quality and public sector bank performance sheds light on the critical importance of maintaining high-quality assets for sustained financial health. Furthermore, the study highlights an intriguing inverse relationship between liquidity and inflation with the performance of public sector banks, indicating the need for a nuanced understanding of these economic factors. Capital adequacy emerges as a positive determinant of overall bank performance, although it is noteworthy that this is inversely related to bank interest margins. The intricate relationship between these factors underscores the multifaceted nature of the challenges and opportunities faced by public sector banks. Moreover, the study identifies the significant impact of GDP growth on bank performance, with a positive correlation, while noting an inverse relationship with banks' interest income. However, it is imperative to acknowledge certain limitations inherent in the study. The reliance on secondary data and the exclusive focus on financial aspects may constrain the overall comprehensiveness of the findings. The study deliberately neglects non-financial dimensions, which could potentially provide a more holistic understanding of the banks' performance dynamics. In conclusion, Singh's (2020) research not only contributes significantly to the scholarly discourse on the financial performance of public sector banks in India but also provides valuable insights for policymakers, practitioners, and stakeholders in the banking sector. The identified correlations and interconnections offer a foundation for further exploration and strategic decision-making to enhance the resilience and sustainability of public sector banks in the ever-evolving economic landscape.

Panta (2020) conducted a research study titled "Macroeconomic Determinants of Stock Market Prices in Nepal." This investigation explores the connection between stock market prices, specifically the NEPSE index, and five macroeconomic variables. The methodology employed is an error correction model (ECM), derived from the ARDL model through a simple linear transformation. This integration allows for the consideration of short-run adjustments while retaining long-run equilibrium information. The analysis is based on 25 years of annual data spanning from 1994 to 2019. The findings reveal that the long-run fluctuation of the NEPSE

Index is significantly linked to broad money supply, interest rate, inflation, and exchange rate. In the short run, GDP, money supply, and exchange rate exhibit positive relationships, whereas in the long run, only money supply maintains a positive correlation. Despite the Nepalese stock market's current state of development, these results indicate that broad money supply, interest rate, inflation, and exchange rate are pivotal factors influencing stock market prices in Nepal. Consequently, policymakers should formulate strategies with a keen consideration of these factors to foster a more robust and matured stock market in the country.

Birhanie (2020) undertook a research investigation titled "A Comparative Financial Performance Analysis of Some Selected Private Commercial Banks of Ethiopia: A CAMEL Approach," aiming to assess the financial performance of specific private banks in Ethiopia. Employing a quantitative research methodology, the study focused on quantifying performance-related ratios and utilized secondary data sourced from the annual reports of five selected private commercial banks. The data, spanning the years 2017-2019 and prepared in accordance with international financial reporting standards (IFRS), underwent a ratio CAMEL analysis. The target population included all 17 private commercial banks, and post data collection, the findings were presented through tables.

Paraband and Reddy (2020) conducted an extensive research study on the dynamics of macroeconomic variables in the Indian stock market using a Bai–Perron approach. The study employs the Bai–Perron test to assess the impact of selected macroeconomic variables on stock market returns and subsequently explores causal relationships. Various statistical and econometric tools and techniques were applied to fulfill the study's objectives. The methodology section provides a comprehensive overview, detailing the period under consideration (April 1996 to March 2016), sample design, data variables, and sources. The study utilized a range of statistical and econometric techniques through economy-metric software, with brief explanations and equations incorporated for clarity and analysis support. Examining the association of macroeconomic variables with stock returns over a two-decade period, the study acknowledges the presence of potential structural breaks, particularly around the financial crisis in 2008 and other economic events. To address this, analyses were conducted considering the possibility of structural breaks to ensure robust results. Identification and selection of macroeconomic variables were carried out through in-depth

content analysis, resulting in a comprehensive 22-factor macroeconomic variables wagon wheel. This approach aimed to address research gaps, as previous studies primarily focused on key macroeconomic variables. Analyzing the data's statistical properties, the study found positive skewness for gold prices, silver prices, FER, inflation rate, REER, FDI, FPI, broad money, imports of goods and services, government final capital expenditure, CAB, IVA, and SVA. Negative skewness was observed for Nifty 50 index returns, crude oil prices, narrow money, exports of goods and services, GDP, gross fixed capital formation, private final capital expenditure, tax revenue, and agricultural value added. Most variables exhibited leptokurtic characteristics, except for imports of goods and services, GDP, tax revenue, and services value added. The summary statistics offer insights into the nature of the data, laying the groundwork for advanced analyses.The analysis incorporated the CAMEL model, encompassing Capital Adequacy, Asset Quality, Management Efficiency, Earning Capacity, and Liquidity. Ratio analyses, covering liquidity, activity, solvency, and profitability, were executed, and group average rankings were employed to facilitate inter-bank comparisons. The outcomes indicated that, concerning Capital Adequacy, Addis International Bank showcased adequacy and security for creditors and depositors, followed jointly by Abay Bank, Dashen Bank, and Abyssinia Bank. Awash International Bank demonstrated relatively superior asset quality in credit management, while Addis International Bank was recognized for its efficiency in utilizing assets for income generation. Awash International Bank emerged as a leader in earning quality. In terms of liquidity, Abay Bank outperformed other banks based on the CAMEL analysis.

Zaenal et al (2020) comprehensive study titled "Analysis of Bank Efficiency between Conventional Banks and Regional Development Banks in Indonesia" provides valuable insights into the comparative efficiency levels of banks in Indonesia. The research specifically delves into the performance of banks categorized as category 1 and category 2 during the 2017-2018 period, with a particular focus on Regional Development Banks (BPD) and Non-BPD Commercial Banks (BUK) within each category. The research objectives aim to assess the efficiency levels of 18 BPDs and 35 BUKs. To achieve this, the researchers adopt a rigorous three-stage methodology. In the first stage, they employ Data Envelopment Analysis (DEA) as a tool to gauge the efficiency of the banks. DEA is a widely used method in the field of finance to evaluate the relative efficiency of decision-making units, in this case, banks. Moving to the

second stage, the study utilizes the tobit regression model to delve into the impact of financial performance on DEA efficiency. By employing this model, the researchers are able to analyze how various financial variables influence the efficiency levels of the banks under consideration. The variables considered include Return on Assets (ROA) and Non-Performing Loans (NPL), providing a nuanced understanding of the factors contributing to the efficiency or inefficiency of the banks. The third and final stage of the research methodology involves the application of the Mann-Whitney test. This statistical test is employed to identify potential differences in efficiency between category 1 and category 2 banks, specifically distinguishing between BUK and BPD within each category. This step is crucial in understanding the nuances in efficiency across different types of banks and categories. The findings of the study reveal a notable decline in efficiency for both category 1 and category 2 banks. Interestingly, the average efficiency of category 1 banks surpasses that of category 2 banks, shedding light on potential variations in the efficiency levels between these two categories. The tobit regression model estimates further contribute to the insights by highlighting that the efficiency of category 1 banks is influenced solely by the Return on Assets (ROA) variable. In contrast, category 2 banks are affected by both Non-Performing Loans (NPL) and ROA variables, underlining the distinct factors influencing efficiency in these categories. Finally, the Mann-Whitney test confirms the existence of variations in efficiency between Non-BPD Commercial Banks (BUK) and Regional Development Banks (BPD) within both category 1 and category 2 banks. This variation underscores the need for a nuanced approach to analyzing efficiency, taking into consideration the specific characteristics and challenges faced by different types of banks in the Indonesian financial landscape. Overall, Zaenal et al.'s study contributes significantly to the understanding of bank efficiency in Indonesia, providing valuable insights for policymakers, researchers, and practitioners in the financial sector.

Gopinathan and Durai (2019) conducted an insightful investigation into the connection between macroeconomic variables and the stock market in India, offering novel insights into this relationship. The study aimed to comprehend the systematic impact of macroeconomic variables on stock market returns, recognizing the importance of this understanding. The empirical analysis covered a substantial period, using monthly data from April 1994 to July 2018, totaling 292 observations. The Bombay Stock Exchange (BSE) Sensex Index, Index of Industrial Production (IIP), Wholesale Price Index (WPI), Broad Money (M3), and Exchange

Rate constituted the key variables. The sample selection was guided by the availability of consistent new data and a reflection of the post-liberalization era, aligning with the objectives of the study. The Index of Industrial Production served as a proxy for output, the Wholesale Price Index represented inflation, and the exchange rate was denoted in Rupees per U.S. dollar. Data were meticulously sourced from reputable outlets—the BSE Sensex Index from the official BSE website (www.bseindia.com) and macroeconomic variables from the Handbook of Statistics on Indian Economy, a publication by the Reserve Bank of India (RBI). To ensure robust analysis, all variables underwent seasonal adjustment, and subsequent examinations were conducted on the natural logarithms of these series. While standard cointegration tests failed to unveil any significant relationship among the variables, a transformative approach using the alternating conditional expectations algorithm (J Am Stat Assoc 80:580–598, 1985) revealed strong evidence of cointegration and signaled nonlinearity in the long-run relationship. Additionally, the continuous partial wavelet coherency model identified substantial coherency at a lower frequency for the transformed variables, affirming the nonlinear and time-varying nature of the long-run relationship between stock prices and macroeconomic variables in India. This groundbreaking evidence holds profound implications for comprehending the dynamic interplay between the stock market and macroeconomic variables, paving the way for a nuanced understanding of their intricate relationships.

Tekatel (2019) conducted a research study entitled Comparing Financial Performance of State Owned Commercial Bank with Privately Owned Commercial Banks in Ethiopia. The focus was on analyzing and contrasting the financial performance of a state-owned commercial bank with that of privately owned commercial banks in Ethiopia. This investigation aimed to shed light on the dynamics of the banking sector in the country by utilizing key financial performance metrics. The research employed a quantitative research approach, utilizing financial ratio analysis and mean equality tests to provide a comprehensive understanding of the financial health of the selected banks. The sample for this study consisted of fifteen commercial banks, chosen based on their year of establishment, and the analysis encompassed audited financial statement data spanning from 2011 to 2017. One of the key findings of the study was that the Return on Equity (ROE) of the state-owned commercial bank surpassed that of private banks, indicating a comparatively higher profitability for the public sector bank. However, a more thorough evaluation suggested that the overall performance of the state-

owned bank was not necessarily robust. This conclusion was drawn from the examination of various financial ratios, including Return on Assets (ROA), Loan-to-Deposit Ratio (LDR), Capital Adequacy Ratio (CAR), Cost-to-Deposit Ratio (CDR), and Net Interest Margin (NIM), where several private banks demonstrated superior figures. The study highlighted that the state-owned Commercial Bank of Ethiopia (CBE) exhibited significant differences in financial performance measures compared to privately owned banks. These measures included ROE, CDR, LDR, CAR, Effective Interest Rate (EIR), and NIM. The findings pointed towards a complex landscape, where the state-owned bank excelled in some aspects while lagging behind in others. It is noteworthy that, despite these variations, no statistically significant difference was observed in terms of Return on Assets (ROA) between state-owned and private commercial banks in Ethiopia during the studied period. This implies that, on average, both types of banks were comparable in terms of their ability to generate returns on their assets. In summary, Tekatel's research provided a nuanced understanding of the financial performance of state-owned and privately owned commercial banks in Ethiopia, revealing a complex interplay of strengths and weaknesses in different aspects of their operations. The study contributes valuable insights to the ongoing discourse on the banking sector in the country, serving as a foundation for further research and policy considerations.

Kapadia and Vaghela (2018) conducted an investigation titled "Examining the Influence of Internet Banking on the Financial Performance of Selected Commercial Banks in India." The primary objective of this research was to scrutinize the impact of internet banking on the financial performance of five private sector commercial banks in India, namely HDFC Bank, Kotak Mahindra Bank, ICICI Bank, AXIS Bank, and IndusInd Bank, for the duration spanning from 2011 to 2017. Data for this study were sourced from the Money Control website. To assess the financial performance of these banks, the study employed Return on Assets (RoA) and Return on Equity (RoE) as the dependent variables. The independent variables encompassed the bank's size, loans, deposits, and the cumulative years of experience in offering internet banking services. Utilizing SPSS software, the collected data underwent thorough analysis, incorporating correlation and regression tests to gauge the impact of internet banking on the financial performance of the banks in terms of RoA and RoE. The study's outcomes revealed that, among the selected banks, the influence of internet banking on financial performance exhibited variations, with both positive and negative effects, ultimately

being considered statistically insignificant. These findings are consistent with conclusions drawn in earlier research studies conducted by Al-Smadi (2011), Halili (2014), Ogare (2013), and Okombo (2015).

Magoma, Mbwambo, Sallwa, and Mwasha (2018) conducted a comprehensive analysis of the financial performance of Commercial Banks, employing the CAMEL model as their primary tool. Their focus was directed towards the National Microfinance Bank (NMB) and the Cooperative Rural Development Bank (CRDB) in Tanzania, aiming to assess their financial soundness. The CAMEL model, which assesses capital adequacy, asset quality, management efficiency, earning quality, and liquidity, served as the analytical framework for this study. The evaluation centered on the financial performance of the National Microfinance Bank (NMB) and Cooperative Rural Development Bank (CRDB). To conduct this analysis, the researchers relied on secondary data extracted from the annual reports spanning from 2012 to 2019. The chosen parameters within the CAMEL model provided a holistic perspective on the overall health of the two banks, facilitating a nuanced understanding of their strengths and weaknesses. For the data analysis, a combination of descriptive analysis and fixed-effect panel regression analysis was employed. The former was used to illustrate the financial soundness of NMB and CRDB, utilizing Microsoft Excel for a graphical representation of key metrics. Simultaneously, fixed-effect panel regression analysis was applied to the components of the CAMEL model, allowing for a deeper examination of the relationship between these parameters and the financial performance, specifically Return on Equity (ROE) in this context. The statistical tool chosen for this purpose was SPSS version 23, enhancing the precision of the analysis. The findings of the study unveiled that earning capacity and liquidity position played a significant role in influencing the commercial banks in Tanzania. However, the other three factors, namely capital adequacy, asset quality, and management efficiency, did not consistently impact ROE as a measure of financial performance. This nuanced insight provides a more refined understanding of the intricate dynamics at play within the banking sector. As a result of these findings, the study proposed recommendations for the regulatory body, the Bank of Tanzania (BOT). It suggested that instead of resorting to the revocation of licenses for underperforming banks, which could potentially have adverse effects on the economy, the BOT should adopt a supportive approach. The regulatory authority should provide guidance to commercial banks on enhancing their financial soundness, focusing on internal factors outlined

in the CAMEL model. This approach ensures a more constructive intervention, fostering an environment where struggling banks can improve their performance with targeted support and guidance.

Srinivasan and Britto (2017) conducted a research study titled "Analysis of Financial Performance of Selected Commercial Banks in India." Their objective was to evaluate the financial performance of certain Indian commercial banks during the fiscal years 2012/13 to 2016/17. The study included 16 commercial banks, with 11 from the public sector and 5 from the private sector. Various financial ratios were utilized to assess the financial performance of these banks. The results consistently indicated that private sector banks outperformed their public sector counterparts throughout the entire study period. Additionally, the research explored the impact of liquidity, solvency, and efficiency on the profitability of the selected Indian commercial banks. This examination employed panel data estimations, specifically utilizing the Fixed Effect and Random Effect models. The empirical findings from these estimations provided significant insights. Specifically, the liquidity ratio and solvency ratio, as well as the turnover ratio and solvency ratio, were identified as having positive and significant impacts on the profitability of selected public sector and private sector banks, respectively. This underscores the assertion that profitability is intricately linked to these specific ratios in both sectors.

Daoud and Kammoun (2017) conducted a study into the intricate landscape of the Financial Performance Analysis of Islamic Banks in Tunisia. Focusing specifically on the period from 2010 to 2014, the research sheds light on the relatively nascent Islamic banking sector in Tunisia, which, in comparison to conventional banking, is still in its infancy. A noteworthy aspect of this investigation is its contribution to filling a void in the existing literature, as prior to this study, there was a dearth of dedicated analyses specifically addressing Islamic banking in Tunisia. Motivated by the need to provide stakeholders with a more nuanced and thorough comprehension of Islamic banks, the study narrows its focus to the financial position of two key players in the Tunisian Islamic banking sector. The analytical lens is primarily directed towards assessing the performance of these banks, considering pivotal factors such as profitability, liquidity, risk, and solvency. This evaluation is conducted through a meticulous analysis of significant financial ratios, offering a comprehensive understanding of the

intricacies of the financial landscape. Beyond a mere quantitative analysis, the study also incorporates an evaluation of the overall stability of each bank, going beyond individual financial indicators to provide a holistic perspective. Descriptive statistical measurements, including mean, standard deviation, and coefficient of variation, are harnessed to categorize performance, enabling a more nuanced understanding of the dispersion and variability of the key financial ratios. The discerned findings from the study underscore the robust financial performance of both Islamic banks during the stipulated period within the banking industry. Notably, Al Baraka Bank emerges as showcasing slightly superior levels of profitability and risk management when juxtaposed with Zitouna Bank. This observation contributes to a more granular understanding of the nuances within the Islamic banking sector, allowing stakeholders to discern subtle differentiations in performance. In conclusion, the research posits that both Islamic banks exhibit commendable financial stability, with Al Baraka Bank holding a stronger position in terms of overall stability when compared to Zitouna Bank. This insight into the financial performance of Islamic banks in Tunisia not only fills a gap in the existing literature but also equips stakeholders with valuable information to make informed decisions within the dynamic landscape of Islamic banking.

Jaiswal and Jain (2016) conducted a comparative analysis titled "An Examination of the Financial Performance of State Bank of India (SBI) and ICICI Banks in India" with the objective of assessing and comparing the financial performance of these two prominent banks. The study primarily focused on SBI, a leading public sector bank in India, and delved into the financial performance of both public and private sector banks, specifically examining SBI and ICICI. The investigation aimed to understand the influence of home loan interest rates on individuals' perspectives towards realizing their homeownership aspirations. By utilizing CAMEL variables, the research evaluated the financial performance of Indian banks, particularly concentrating on the comparison between SBI and ICICI banks over the period from 2010-11 to 2014-15. The research proposal relied on the collection of secondary data through internet reports. Various financial and statistical tools were applied to scrutinize the gathered secondary data, revealing insights into the financial performance and business models of SBI and ICICI Banks. The findings indicated that SBI demonstrated superior performance compared to ICICI Bank, showcasing robust financial health. SBI surpassed ICICI in terms of earning per share, price ratio per share, and dividend pay-out ratio, establishing a strong market

position. However, ICICI Bank exhibited commendable performance in managing Non-Performing Assets (NPA) and provisions for NPA, outperforming SBI in these specific aspects.

Ali (2016) conducted a research study entitled "Examining the Influence of Financial Planning on Financial Performance: A Case Study of Commercial Banks in Mogadishu, Somalia." The study aimed to explore the connection between financial planning and the financial performance of commercial banks, specifically those with a commercial orientation in Mogadishu. The primary objectives involved evaluating the impact of organizational goal focus, resource allocation, and risk management on the financial performance of banks. A descriptive survey research design was employed by the researcher to collect data from participants, utilizing a census-sampling method that encompassed the entire target population of 143 finance managers from commercial banks. The data collection involved the use of questionnaires, and both quantitative and qualitative analyses were applied. The research outcomes revealed a positive association among the variables, illustrating a direct correlation between organizational goals and financial performance ($r = 0.544$, $p > 0.01$). Furthermore, resource allocation demonstrated a positive relationship with financial performance ($r = 0.232$, $p > 0.01$), and the study indicated a positive correlation between risk management and financial performance ($r = 0.449$, $p > 0.01$). The findings underscore the significance of these factors in shaping the financial landscape of commercial banks in Mogadishu, Somalia.

Desta (2016) conducted a study examining the financial performance of selected African banks, focusing on seven banks from the list of the top 30 African banks recognized by Global Finance Magazine. Focusing on institutions that held positions among the top 30 African banks, as recognized by Global Finance Magazine. The selected banks willingly disclosed their extensive and consolidated financial statements for the three most recent fiscal years, spanning from 2012 to 2014. A key aspect of this study was the application of the CAMEL composite and component rating system, a widely recognized methodology in assessing the soundness and stability of financial institutions. The study's findings revealed a nuanced picture of the financial health of these banks. Notably, the capital adequacy ratio and earning ability of the banks received favorable ratings, indicating strength and satisfactory performance in these areas. However, the assessment took a more critical tone when it came to asset quality,

management quality, and liquidity. The banks garnered less satisfactory, deficient, and critically deficient ratings in these dimensions, suggesting potential areas of concern and improvement. Surprisingly, the Standard Bank of South Africa Ltd. (South Africa), despite earning recognition as the Best Regional Bank by Global Finance Magazine in 2015, ranked the lowest among the scrutinized banks. This incongruity highlights the importance of conducting in-depth financial assessments beyond surface-level accolades, urging a closer examination of the various facets that contribute to an institution's overall financial health. The overall composite rating for all banks, based on the CAMEL system, was determined as "fair" (composite 3). This rating reflects a balanced evaluation, considering both the strengths and weaknesses observed across the assessed dimensions. The study's implications extend beyond a mere evaluation of past performance; it emphasizes the importance of vigilance and adaptability in the face of business fluctuations and external influences. As a proactive measure, the study recommends that banks integrate the CAMEL rating system into their periodic assessments, providing a structured framework to navigate the complexities of the financial landscape. Furthermore, the study advocates for institutions like Global Finance Magazine to consider adopting the CAMEL framework in their evaluations. This approach would add depth and precision to their assessments, ensuring a more comprehensive understanding of a bank's overall financial health. By incorporating such a robust evaluation system, both financial institutions and evaluative bodies can enhance their ability to identify potential risks, fortify areas of weakness, and maintain a resilient stance in the dynamic world of banking and finance.

2.2.1 Review of Unpublished Thesis

Adhikari (2011) conducted an investigative study titled "Liquidity Management of Commercial Banks in Nepal with Reference to Everest Bank Ltd and Standard Chartered Bank Ltd." The primary objective was an in-depth analysis of the liquidity management, deposit and investment positions of Everest Bank Ltd and Standard Chartered Bank Ltd. The research delved into examining the intricate relationships among deposits, investments, loans and advances, and net profits. The approach involved both analytical and descriptive methodologies to conduct a trend analysis of these financial indicators. The research drew upon secondary data from diverse sources such as annual reports, books, magazines, journals, articles, reports, bulletins, data from Nepal Stock Exchange and Nepal Rastra Bank, Central

Bureau of Statistics, relevant websites, and supplementary information from economic surveys. The study's conclusion highlighted that both banks effectively maintained sufficient liquidity to meet short-term or immediate obligations during the specified period. However, it was noted that the liquid ratios of both Standard Chartered Bank Ltd and Everest Bank Ltd fell below the standard ratio of 2:1, with Standard Chartered Bank Ltd demonstrating a slightly superior liquidity position compared to Everest Bank Ltd. An insightful observation from the research suggested that Everest Bank Ltd exhibited a more efficient utilization of its total assets (funds) to generate interest income. In light of these findings, the researcher recommended that the banks adopt an innovative approach to bank marketing and formulate novel customer service strategies, leveraging modern technology. Specific suggestions included offering new facilities to customers at competitive prices. Furthermore, the research advised the banks to explore untapped market areas and establish a robust central-level market department, focusing on banking products, places, pricing, and promotion. These recommendations aimed at enhancing the overall financial performance and market presence of both Everest Bank Ltd and Standard Chartered Bank Ltd.

Sharma (2018) conducted a research study titled "An Examination of Liquidity in Commercial Banks: A Case Study of HBL and SBI Bank Ltd." The primary objective of this study was to evaluate the capacity of commercial banks to maintain adequate liquid assets. The study aimed to assess the liquidity and profitability positions of HBL and SBI Bank Ltd. It also involved an analysis of the growth trends in total deposits, total investment, total loans and advances, as well as net profit for the sample banks. The examination further delved into scrutinizing the trends in total deposits, total loans and advances, and net profit. To achieve the research objectives, a range of financial, statistical, and accounting tools were employed. Secondary data from the annual reports of the banks served as the basis for analysis. The data collected underwent thorough examination using financial and statistical tools. The findings of the study disclosed a significant correlation between HBL and SBL concerning cash and bank balances, liquid liabilities, government securities, and total deposits. However, the association was considered insignificant when it came to loans and advances, net profit, and the amalgamation of loans and advances and total deposit. Consequently, the researcher concluded that there was no substantial difference in the conditions of the two banks. The recommendations derived from the study suggested that the sample banks should invest their idle cash and bank balances

in lucrative sectors, with a specific focus on loans and advances. Furthermore, the proposal was made to utilize risky assets and shareholders' funds strategically to enhance profit margins.

Pandey (2008) conducted an investigative research project titled "Credit Risk Management of Commercial Banks of Nepal" to scrutinize the strategies employed by specific commercial banks within the competitive landscape of the Nepalese banking industry in effectively managing credit risk. This research involves a combination of descriptive and analytical research methodologies, utilizing historical data to assess and scrutinize a bank's credit risk over a preceding period. Out of a total population of 26 commercial banks, two were selectively sampled for a comparative analysis. The chosen sample aimed to delve into the credit risk management systems of recently established commercial banks, each with a 6-year operational history. The collected dataset underwent computational analysis using both a scientific calculator and computer software programs. The findings of this study emphasize the imperative for banks to enhance their credit risk analysis systems to align with the evolving technological landscape in the external environment. This adaptation ensures the timely identification and mitigation of credit risks, reflecting the dynamic nature of the financial sector.

Khati (2021) conducted a study entitled "Credit Risk Management and Performance of Nepalese Commercial Banks," the focus was on exploring the impact of credit risk management practices on the overall performance of commercial banks in Nepal. The main goal was to thoroughly evaluate how the management of credit risk influences the financial outcomes of these banks. To accomplish this objective, the research utilized secondary data and applied a variety of financial and statistical tools, including correlation and regression analysis, to scrutinize and interpret the collected data. The findings of the analysis revealed a notable trend among the sampled Nepalese commercial banks, pointing to deficiencies in their credit risk management practices. Specifically, the study emphasized a substantial positive correlation between the Non-Performing Loan Ratio (NPLR) and both Return on Assets (ROA) and Return on Equity (ROE). This implies that a higher ratio of non-performing loans within the loan portfolio of Nepalese commercial banks adversely affected both asset returns and equity returns. Consequently, the research concluded that there is a heightened prevalence of non-performing loans within the loan portfolios of Nepalese commercial banks,

underscoring the urgent necessity for improved credit risk management practices to safeguard and optimize the overall performance of these financial institutions.

Poudel (2021) conducted an investigation titled "Analyzing the Influence of Credit Management Practices on the Profitability of Commercial Banks in Nepal." The primary aim was to evaluate the impact of credit management on the financial success of these banks. The research utilized secondary data and employed various financial and statistical tools, including correlation and regression analyses, for data interpretation. The results revealed that, within the selected banks, NIBL displayed exceptional credit efficiency, effectively utilizing its accumulated deposits for loans and advances. This implies that NIBL's credit policy stands as resilient and efficient, showcasing the highest asset quality concerning the overall volume of loans and advances. Derived from the central study findings, it was inferred that NIBL outperformed its counterparts in transforming collected deposits into loans and advances. The ratio of loans and advances to total assets emerged as a significant metric in this context. Concurrently, when assessing the non-performing loan to loan and advance ratio, it was determined that NSBL demonstrated the most robust and effective lending policy among the banks scrutinized. These findings underscore the significance of credit management practices in influencing the profitability dynamics of commercial banks in the Nepalese context.

Table 1

Meta Table

Date	Article	Writers	Objectives	Methodology	Findings
2021	A Comparative Study of Bangladesh's Nonbank Financial Institutions' Financial Performance	S. M. Akber	To assess the selected NBFI's financial performance in Bangladesh	Used ratio analysis for estimating institutional size, total assets, total equity, ROA, ROE, and ROCE, amongst additional metrics.	According to this study, the efficiency ratio is the basis for NBFIs' performance in terms of yielding returns.
2021	Financial Performance of Iranian Banks from 2013 to 2019: A Panel Data Approach	PejmanEbrahimi 1,* , Maria Fekete-Farkas2 , ParisaBouzari 3 and	to show the financial performance and profitability of Iranian banks	The study used a panel regression framework	Negative relationship between inflation rate and financial performance

		Róbert Magda 2,4			
2020	Analysis of Financial performance of Public Sector Banks in India: CAMEL	Yuthvir Singh and Ram Milan	To determine the factors affecting the performance of public sector banks in India	Capital adequacy, assets quality, Management efficiency, Earning, and Liquidity (CAMEL)	It is found that the asset quality is negatively related with performance of public sector banks.
2020	Analysis of Bank Efficiency Between Conventional Banks and Regional Development Banks in Indonesia	Zaenal Abidin1, R. Mahelan Prabatariksо2, RhisyaAyu Wardhani3, Endri Endri4(	To know the efficiency in the bank operation	This research use Tobit, OLS and regression Methodology	The level of efficiency of category 2 is lower than category 1
2019	Comparing Financial Performance of State Owned Commercial Bank with Privately Owned Commercial Banks in Ethiopia	WesenLegessaTekatel and Beyene Yosef Nurebo	to examine the effect of ownership structure on financial performance of Ethiopian commercial banks	quantitative research approach	The result reveal that ROEs of public sector bank was higher than those of private banks
2018	Analysis the Financial performance of Commercial Banks and the Camel model.	Anthony Mahoma	evaluating the financial performance of two major banks in Tanzania	CAMEL parameters used	Commercial banks in Tanzania are mostly affected by earning capacity and liquidity position.
2017	Financial Performance Analysis Of Islamic Banks In Tunisia	Yomna Daoud1+ Aida Kammoun 2	to evaluate the financial performance of two Islamic banks	The descriptive statistical measurements	both banks are holding a robust financial performance position in banking industry during the period studied
2016	Analyzed the financial performance of the African banks	Dr. TesfatsionSahluDesta	To evaluate and rate the financial performance of the selected African commercial banks for	The study employed the CAMEL composite ratings that range from 1 to 5 as applied by the AIA's CAMEL for bank analysis.	. This study found that the banks are rated as strong and satisfactory when rated in term of capital adequacy

			the period of 2012-2014.		ratio and earning ability
2015	Analyze determinants of Productivity and Profitability of Indian Banking sector	KaramPalNarwal, Shweta PATHNEJA"	. The purpose of this paper is to discuss the different determinants of productivity and profitability of banks functioning in India.	The linear programming model Data Envolpment Analysis (DEA)based Malmquist index is used to measure total factor productivity of groups and sub-group banks	The banks have better performed better in the sub-period II (2009-10 to 2013-14).
2014	Comparative financial performance analysis of conventional and Islamic Banks in Pakistan	Ahmed Imran Hunjra and Amber Bashir	To analyze the financial performance of commercial banks	quantitative research approach	The result reveal that ROEs of public sector bank was higher than those of private banks

2.3 Research Gap

The existing research landscape has established the performance differentials among banks and has conducted comparative analyses of liquidity positions. However, prior studies have predominantly focused on individual commercial banks, with a limited scope of comparison. Unlike previous research that primarily delves into liquidity, profitability, or financial performance analysis of specific banks, this study distinguishes itself by conducting a comprehensive comparative analysis of the investment policies across a broad spectrum of development banks in Nepal. While earlier studies have often been constrained by a limited number of banks or a restricted set of variables measuring liquidity or profitability, our research endeavors to bridge this gap by incorporating as many banks as feasible. Additionally, this study encompasses a wide array of variables and ratios to thoroughly examine and gauge the liquidity and profitability of the banks under consideration. Positioned as an original contribution, this research aims to serve as a foundational resource for future researchers seeking insights into the patterns exhibited by the sample banks. Specifically, this study offers the most recent and exhaustive information regarding the financial performance analysis of Muktinath Bikas Bank Limited, Garima Bikas Bank Limited, and Excel Development Bank Limited over the past decade. Employing diverse research tools discussed in Chapter III, the

analysis covers a comprehensive range of data, contributing significantly to filling the identified gap in the current research landscape.

CHAPTER-III
RESEARCH METHODOLOGY

One approach to methodically addressing the research challenge is through research methodology. It might be viewed as a science that studies scientific research methodology. As stated by Kothari (2000). "The different sequential steps to be adopted by researcher in studying a problem with objects in view is known as research methodology."(Kothari, 1994)

3.1 Research Design

To accomplish the goals, both descriptive and analytical research designs have been employed. In order to conduct a fact-finding operation and look for sufficient information regarding the factors influencing the lending behavior of commercial banks in Nepal, the descriptive research design has been modified. In order to determine the directions, magnitudes, and forms of the observed relationships between various dependent and independent variables, this study also used a correlation research methodology (Adhikari, 2015).

3.2 Population and Sample

This study focuses on the financial performance of MuktinathBikas Bank Limited, Excel Development Bank Limited, and Karnali Development Bank Limited in Nepal. The study is based on sample analysis, as it is impossible to study all 17 development banks in the country. The analysis is based on the reputation of the banks and organization, rather than population. The financial analysis of these three banks is compared with the average of the population, which includes all development banks. The sample banks are MBBL, KDBL, and EDBL.

3.3 Nature and Sources of Data

Secondary data are the main source of information for this study. The annual report of the selected development banks contains the information that is required. The websites of Muktinath bikas Bank Limited, Garima Bikash Bank Limited, Excel Development Bank Limited, and the NRB. Ten years' worth of historical data served as the foundation for this study.

3.4 Data collection Procedures

The secondary data used in this investigation came from some published sources. The balance sheet and profit and loss account of the relevant bank's annual reports and other publications are the primary sources of the data needed for the research. Additional data is gathered from organizations and agencies such as the NRB and the official websites of specific banks. Ministry of Economic Surveys and Finance. Similar data and information were gathered from a variety of sources, including websites, publications, bulletins, magazines, economic journals, and other published and unpublished reports and papers**.**

3.5 Method of Data Analysis

To fulfill the goals of this investigation, an array of financial, statistical, and accounting methodologies has been employed. The data analysis adheres to the existing data pattern. Utilizing the tools and resources at hand, the study incorporates analytical statistical techniques, specifically employing simple regression. The outcomes derived from the financial, accounting, and statistical tools are organized systematically under distinct headings. Subsequently, a comparative analysis is conducted to elucidate the findings.

3.6.1 Financial Tools

In this study, the following financial tools are applied for the analysis and interpretation of the data.

Liquidity Ratio

A name symbolizes liquidity, which is the proportion of liquid assets to liabilities. Liquidity is the capacity of a company to pay its debts within a short period of time. It displays the company's strength in the near term.

Cash Reserve Ratio (CRR): The NRB's guidelines for the cash reserve ratio must be followed by every bank. According to the NRB, the CRR ratio ought to be 4%. The following formula is used to get the cash reserve ratio.

$$\textbf{Cash Reserve Ratio (CRR)} = \frac{\textbf{Cash Balance in central Bank}}{\textbf{Local Currency Deposit} - \textbf{Margin Deposit}} * \mathbf{100}$$

Credit Deposit Ratio (CDR): The ratio of total cash inflows as deposits to total cash outflows as loans is known as the CDR. Thus, the ratio indicates the efficiency ratio at which resources are mobilized. **CDR =** $\frac{\textbf{Total loan}}{\textbf{Total Deposit}} * \textbf{100}$

Non-performing Loan Ratio: This ratio is used to determine the percentage of non-performing loans within the overall loan and advance portfolio. A higher ratio indicates that the bank's loan and advance assets are of poor quality. Therefore, a lower ratio is favored. $\textbf{NPL ratio} = \frac{\textbf{Non-performing loan}}{\textbf{Total loan}} * \textbf{100}$

Return on Total Assets Ratio (ROA): The contribution of assets to producing net profit is explained by return on total assets. This ratio shows how effectively assets are mobilized. Stated differently, the return on total assets ratio represents a company's overall profitability rate, gauging its earning potential and overall operational effectiveness. $\textbf{Return on Total Assets} = \frac{\textbf{NPAT}}{\textbf{Total Assets}} * \textbf{100}$

Return on shareholders' Equity (ROE): Return on Equity (ROE) measures how well a company has utilized its owners' resources. The most desirable goal for a business is to achieve an acceptable return, since ordinary or common shareholders are entitled to the remaining profits. It is computed by dividing profit after taxes by the equity held by shareholders. $\textbf{Return on shareholder's Equity} = \frac{\textbf{NPAT}}{\textbf{Shareholders' Equity}} * \textbf{100}$

Net Profit on Loan and Advances Ratio: The banks' ability to generate a healthy return on its loan and advance provision is demonstrated by the return on loan and advance ratio. This ratio can be expressed as follows: it is calculated by dividing net profit (loss) by the total amount of loans and advances.

$$\textbf{Net Profit on Loan and Advance Ratio} = \frac{\textbf{Net Profit}}{\textbf{Loan and Advance}}$$

Interest income to loan and Advance: The bank only makes loans and advances in order to collect interest. Thus, the ratio of interest revenue to loan and advances has been established in order to assess the extent to which the bank has been able to manage the loan and advances in earning interest income

$$\textbf{Interest income to Loan and Advances} = \frac{\textbf{Interest Income}}{\textbf{Total Loan and Advances}}$$

3.6.2 Statistical Tools:

Arithmetic Mean (Average): The average is a statistical constant that allows us to understand the whole in a single effort. It uses a single value to represent all of the data. It presents an overview of the vast amount of disorganized numerical data and provides the essentials (Gupta, 2001:357). It is computed as follows: $\overline{\boldsymbol{X}} = \frac{\boldsymbol{\Sigma X}}{\boldsymbol{n}}$

Where,

X= Arithmetic Average

∑x= Summation for total values of the variable/observation

N= Number of items

Standard deviation (S.D): The positive square root of the mean of the square of the deviations from the arithmetic mean is known as the standard deviation, or S.D. It's represented by "sigma." $\mathbf{S.D.}\ (\boldsymbol{\sigma}) = \sqrt{\frac{\overline{(\mathbf{X}-\bar{\mathbf{X}})}}{\mathbf{N}-\mathbf{1}}}$

Where ,

$\bar{X}$= mean

n= number of item

Correlation of coefficient (r): Coefficient of correlation (r) One statistical method for characterizing how closely one variable is related to another linearly is correlation analysis. The degree of link between two sets of figures is measured by the correlation coefficient. The correlation coefficient is employed in this study to ascertain the relationship between several variables, including return on equity, non-performing loan ratio, and earnings per share. In practice, the correlation coefficient is most frequently utilized. There are two types of correlation: positive and negative. It is symbolically represented by r.

$$\mathbf{r} = \frac{\mathbf{N}\sum\mathbf{XY} - \sum\mathbf{X}\sum\mathbf{Y}}{\sqrt{\mathbf{N}\sum\mathbf{X^2} - (\sum\mathbf{X^2})}\sqrt{\mathbf{N}\sum\mathbf{Y^2} - (\sum\mathbf{Y})^2}}$$

Where, r = Correlation Coefficient,

N = no of observation in series X and Y

$\sum X$ = Sum of observation in series X

$\sum Y$ = Sum of observation in series Y

$\sum X\ 2$ = Sum of square observation in series X

$\sum Y\ 2$ = Sum of square observation in series Y

$\sum XY$ = Sum of the product of observation in series X and Y

Multiple Regression Model: The MRA (Multiple Regression Analysis) is an extension of multiple regression analysis, differing in that it involves two or more independent variables instead of a single one. The regression model with 'k' independent variables can be expressed as:

ROA: a+ β1CRR+ β2CDR+ β3NPLR+ β4NPTL+ β5IITLA

ROE: a+ β1CRR+ β2CDR+ β3NPLR+ β4NPTL+ β5IITLA

3.6 Conceptual Framework and Definition of Variables

The theoretical framework serves as the foundational basis for establishing a theory. The study progresses within the confines of this theoretical framework. Research, in general, aims to formulate theories addressing problems and questions. Thus, the meticulous development and presentation of the theoretical framework become crucial. It is possible to represent a theoretical model graphically, depicting the selected variables or characteristics for inclusion in the investigation**.**

Independent Variables Dependent Variables

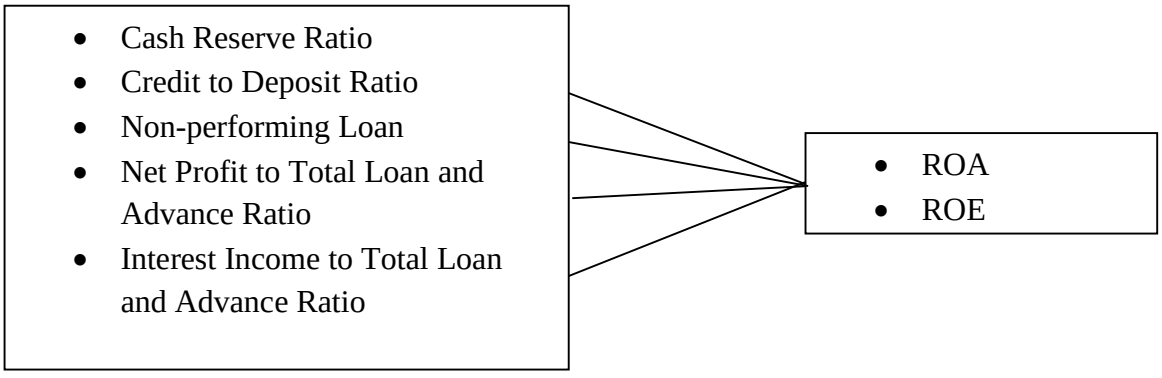

Figure 1: Conceptual Framework of the Study

3.6.1 Definition of Variables

Cash Reserve Ratio (CRR): The NRB's guidelines for the cash reserve ratio must be followed by every bank. According to the NRB, the CRR ratio ought to be 4%. The following formula is used to get the cash reserve ratio.

Credit Deposit Ratio (CDR): The ratio of total cash inflows as deposits to total cash outflows as loans is known as the CDR. Thus, the ratio indicates the efficiency ratio at which resources are mobilized.

Non-performing Loan Ratio: This ratio is used to determine the percentage of non-performing loans within the overall loan and advance portfolio. A higher ratio indicates that the bank's loan and advance assets are of poor quality. Therefore, a lower ratio is favored.

Return on Total Assets Ratio (ROA): The contribution of assets to producing net profit is explained by return on total assets. This ratio shows how effectively assets are mobilized. Stated differently, the return on total assets ratio represents a company's overall profitability rate, gauging its earning potential and overall operational effectiveness.

Return on shareholders' Equity (ROE): Return on Equity (ROE) measures how well a company has utilized its owners' resources. The most desirable goal for a business is to achieve an acceptable return, since ordinary or common shareholders are entitled to the remaining profits. It is computed by dividing profit after taxes by the equity held by shareholders.

Net Profit on Loan and Advances Ratio: The banks' ability to generate a healthy return on its loan and advance provision is demonstrated by the return on loan and advance ratio. This ratio can be expressed as follows: it is calculated by dividing net profit (loss) by the total amount of loans and advances.

Interest income to loan and Advance: The bank only makes loans and advances in order to collect interest. Thus, the ratio of interest revenue to loan and advances has been established in order to assess the extent to which the bank has been able to manage the loan and advances in earning interest income

CHAPTER-IV

RESULTS AND DISCUSSION

4.1 Result

Table 1

Descriptive Statistics of Development Bank

	ROA	ROE	NPLR	CRR	CDR	NPTL	IIL
N	30	30	30	30	30	30	30
Mean	1.44	21.56	.79	4.55	82.48	2.51	12.54
Std. Deviation	.86	10.17	.93	2.62	7.015	.81	1.912
Minimum	.20	8.96	.00	1.02	56.74	1.33	8.37
Maximum	2.82	52.63	3.77	8.49	91.30	3.94	15.91

(Source: Appendix)

Table 1 comprehensive descriptive data summary, a thorough examination of seven crucial financial indicators is conducted for a specified group of entities, designated as N. These indicators—Return on Assets (ROA), Return on Equity (ROE), Non-Performing Loan Ratio (NPLR), Cash Reserve Ratio (CRR), Credit to Deposit Ratio (CDR), Net Profit to Total Loans and Advances (NPTL), and Interest Income to Loans and Advances (IIL)—serve as pivotal metrics for assessing the financial health and performance of the entities under scrutiny. The dataset encompasses a total of 30 observations, allowing for a robust analysis of the entities' financial characteristics. The mean values serve as a key indicator of central tendency, offering a glimpse into the typical performance levels of each variable. Notably, the average ROA stands at 1.44, while ROE reaches 21.56, underscoring the entities' profitability and equity utilization. The NPLR, at 0.79, indicates the proportion of non-performing loans, and the CRR, standing at 4.55, reveals the entities' cash reserves relative to their total deposits. Delving into the variability or dispersion around the mean, the standard deviation values provide nuanced insights. For instance, ROA exhibits a standard deviation of 0.86, suggesting a moderate level of variability in asset returns. Similarly, ROE's standard deviation is 10.17, reflecting the extent of variation in equity returns. The range within which the data fluctuates is elucidated by the minimum and maximum values. For instance, ROA ranges from a minimum of 0.20 to a maximum of 2.82, showcasing the diversity in asset returns across the entities. Analogously,

other variables exhibit varying ranges, providing a nuanced understanding of the financial landscape. This detailed analysis contributes to a holistic overview of the financial well-being and performance of the entities, facilitating informed decision-making and strategic planning within the context of their financial operations.

Table 2

Correlation Analysis of Development Bank

	ROA	ROE	NPLR	CRR	CDR	NPTL	IIL
ROA	1						
ROE	.412*	1					
NPLR	-.021	-.091	1				
CRR	-.140	-.071	-.598**	1			
CDR	-.032	-.536**	-.385*	.500**	1		
NPTL	.587**	.540**	-.317	.019	.106	1	
IIL	-.051	.361	-.192	.032	-.162	.358	1

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

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

(Source: SPSS Output)

Table 2 shows the correlation analysis that shows several financial performance metrics are presented, including Return on Assets (ROA), Return on Equity (ROE), Net Profit to Loans and Advances Ratio (NPLR), Capital Adequacy Ratio (CRR), Credit To Deposit Ratio (CDR), Net Profit to Loans and Advances Ratio (NPTL), and Interest Income to Loans and Advances Ratio (IIL). The values along the diagonal represent the correlation coefficients of each metric with itself, which are all 1, as expected. Noteworthy correlations include a positive correlation between ROA and NPTL (0.587), and between ROE and NPTL (0.540). Additionally, there is a negative correlation between NPLR and CRR (-0.598), suggesting an inverse relationship between Net Profit to Loans Ratio and Capital Adequacy Ratio. Furthermore, there are negative correlations between CDR and ROE (-0.536) and between CDR and NPTL (-0.385), indicating potential relationships between Credit Default Rate and Return on Equity as well as Net Profit to Total Liabilities Ratio. These correlations provide insights into the interdependencies among the financial metrics, which could be valuable for financial analysis and decision-making in various contexts. It's important to note that asterisks (*) denote statistically significant correlations, with two asterisks indicating a higher level of significance.

Table 3

Model Summary of Development Bank (ROA)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676	.457	.344	.69846

a. Predictors: (Constant), IIL, CRR, NPTL, CDR, NPLR

(Source: SPSS Output)

Table 3 shows the model summary of development bank. The correlation coefficient, indicating the strength and direction of the linear relationship between the independent and dependent variables. In this case, R is approximately 0.676. Coefficient of determination, R square represents the proportion of the variance in the dependent variable that is predictable from the independent variable(s). In this case, R square is approximately 0.457, meaning that about 45.7% of the variance in the dependent variable is explained by the independent variable(s). Adjusted R Square shows the modification of R square that adjusts for the number of predictors in the model. It provides a more accurate representation of the model's explanatory power, especially in the context of multiple independent variables. In this case, the adjusted R square is approximately 0.344. Std. Error of the Estimate measure of the accuracy of the predictions made by the model. It represents the standard deviation of the residuals, which are the differences between the observed and predicted values. In this case, the standard error of the estimate is approximately 0.69846.

Table 4

Anova Analysis Development Bank (ROA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.863	5	1.973	4.043	.008
	Residual	11.708	24	.488		
	Total	21.571	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), IIL, CRR, NPTL, CDR, NPLR

(Source: SPSS Output)

Table 4 shows the ANOVA table that presented here evaluates the overall significance of a regression model. The table is divided into three sections: Regression, Residual, and Total. In the Regression section, the sum of squares (SS) is 9.863, representing the explained variability by the model, with 5 degrees of freedom (df). The mean square (MS) for regression is 1.973, calculated as SS divided by df. The F-statistic (F) is 4.043, and its associated p-value (Sig.) is 0.008, indicating that the regression model is statistically significant. The Residual section accounts for unexplained variability, with a sum of squares of 11.708 and 24 degrees of freedom. The mean square for residuals is 0.488. The Total section combines the variability explained by the model and the unexplained variability, yielding a total sum of squares of 21.571 and 29 degrees of freedom. Overall, the low p-value for the F-statistic suggests that the regression model is statistically significant in explaining the variance in the dependent variable.

Table 5

Coefficients Analysis of Development Bank (ROA)

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.345	2.208		1.062	.299
	NPLR	.083	.189	.090	.439	.665
	CRR	-.012	.068	-.036	-.174	.863
	CDR	-.013	.022	-.108	-.594	.558
	NPTL	.786	.184	.741	4.282	.000
	IIL	-.142	.076	-.315	-1.872	.073

a. Dependent Variable: ROA

(Source: SPSS Output)

Table 5 includes information about the unstandardized coefficients (B), standard errors, standardized coefficients (Beta), t-statistics, and p-values (Sig.) for each predictor variable. The "Constant" row represents the intercept of the regression equation. The "NPLR," "CRR," "CDR," "NPTL," and "IIL" rows correspond to the predictor variables in the model. The unstandardized coefficients (B) indicate the change in the dependent variable associated with

a one-unit change in the respective predictor, holding other predictors constant. The standardized coefficients (Beta) provide a measure of the relative importance of each predictor. The t-statistics assess the significance of each coefficient, and the associated p-values indicate whether each predictor is statistically significant in predicting the dependent variable. For instance, the "NPTL" predictor appears to be statistically significant (p = .000), while the "CRR" and "CDR" predictors are not (p = .863 and p = .558, respectively). The "IIL" predictor shows a trend toward significance (p = .073). The overall model intercept's p-value is .299, suggesting that it is not statistically significant.

Table 6

Model Summary of Development Bank (ROE)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843[a]	.711	.651	6.01047

a. Predictors: (Constant), IIL, CRR, NPTL, CDR, NPLR

(Source: SPSS Output)

Table 6 shows the model summary of development bank. The table presents the summary statistics for a regression model. The "Model" section indicates that it is the first model being analyzed. The "R" value, denoted as .843, represents the correlation coefficient, indicating a strong positive linear relationship between the dependent variable and the set of predictor variables. The "R Square" of .711 suggests that approximately 71.1% of the variance in the dependent variable is explained by the predictors. The "Adjusted R Square" of .651 accounts for the number of predictors in the model, providing a more accurate reflection of the model's explanatory power, considering potential over fitting. The "Std. Error of the Estimate" (6.01047) represents the standard deviation of the residuals, indicating the average amount by which the observed values deviate from the predicted values. Overall, the model demonstrates a good fit, capturing a substantial portion of the variability in the dependent variable, as suggested by the high R Square value.

Table 7

Anova Analysis of Development Bank (ROE)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2137.093	5	427.419	11.831	.000
	Residual	867.017	24	36.126		
	Total	3004.110	29			

a. Dependent Variable: ROE

b. Predictors: (Constant), IIL, CRR, NPTL, CDR, NPLR

(Source: SPSS Output)

Table 7 summarizes the results of a regression analysis for a model predicting the dependent variable "ROE" (Return on Equity) using the listed predictors. The "Regression" section displays the sum of squares (2137.093) attributed to the model, indicating the variability explained by the predictors. The associated degrees of freedom (df) are 5, representing the number of predictors, and the mean square (427.419) is calculated by dividing the sum of squares by the degrees of freedom. The F-statistic (11.831) tests the overall significance of the regression model, with a p-value (Sig.) of .000, suggesting that the model is statistically significant. The "Residual" section presents the sum of squares (867.017) for the unexplained variability, with 24 degrees of freedom. The "Total" row accounts for the overall variability in the dependent variable, and the associated sum of squares is 3004.110. The ANOVA table provides valuable information about the explanatory power of the model, the significance of the predictors, and the overall fit of the regression.

Table 8

Coefficients Analysis of Development Bank (ROE)

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	86.140	19.002		4.533	.000
	NPLR	-.188	1.627	-.017	-.116	.909
	CRR	1.080	.588	.278	1.838	.078
	CDR	-1.080	.193	-.744	-5.595	.000
	NPTL	7.570	1.580	.604	4.792	.000
	IIL	.061	.653	.012	.094	.926

a. Dependent Variable: ROE

(Source: SPSS Output)

The presented table appears to be a regression coefficients table, summarizing the results of a multiple linear regression model with the dependent variable being "ROE" (Return on Equity). The table includes information about unstandardized coefficients (B), standard errors, standardized coefficients (Beta), t-statistics, and p-values (Sig.) for each predictor variable. The "Constant" row represents the intercept of the regression equation. The predictor variables include "NPLR," "CRR," "CDR," "NPTL," and "IIL." The unstandardized coefficients indicate the change in the dependent variable associated with a one-unit change in the respective predictor, while the standardized coefficients provide a measure of the relative importance of each predictor. The t-statistics assess the significance of each coefficient, and the associated p-values indicate whether each predictor is statistically significant in predicting the "ROE." Notably, the "CDR" and "NPTL" predictors have low p-values (p = .000), suggesting their strong statistical significance in explaining the variation in "ROE." The "CRR" predictor shows a trend toward significance (p = .078), while the other predictors do not appear to be statistically significant in this model.

4.2 Discussion

The overarching goal of this thesis was to undertake a comprehensive investigation into the factors influencing the financial performance of development banks in Nepal over a decade-long fiscal period, stretching from FY 2010/11 to FY 2019/20. Building upon the foundation laid by prior research, including studies by Khalid et al. (2021), Percy and Wimalasiri (2022), Kagoyire & Shukla (2023), Lin & Fu (2017), Mishra & Kapil (2017), and Ping & Hsien (2009), the focus was on delving into the intricate web of determinants that shape the financial landscape of these institutions. One of the key determinants explored in this study was the debt ratio, a factor consistently highlighted in previous research. Studies by Khalid et al. (2021), Percy and Wimalasiri (2022), and others emphasized the impact of the debt ratio on financial performance, revealing that a higher debt ratio contributes to increased interest expenses, subsequently impacting a company's overall income. Additionally, the size of a company emerged as a critical factor influencing financial performance, aligning with the findings of Lin & Fu (2017), Mishra & Kapil (2017), and Ping & Hsien (2009). The presence of debt was further linked to heightened creditor supervision and tax protection, as noted by Hutchinson

and Gul (2004), Muttakin et al. (2014), and Morck et al. (1988, as cited in Shyu, 2011). The empirical findings of this research shed light on the financial landscape of development banks in Nepal. Notably, these banks were found to maintain an adequate level of liquidity, allowing them to meet short-term liabilities promptly. Moreover, their robust capital base was identified as a resilience factor against financial crises, coupled with the ability to generate substantial returns on total loans and advances. However, challenges surfaced in the management of nonperforming loans, with discernible variations among different banks.

To establish and quantify relationships between independent and dependent variables, the study employed Karl Pearson's coefficient of correlation (r). The results unveiled a positive correlation between Return on Assets (ROA) and independent variables, signifying a significant impact of these variables on the financial position of commercial banks. Interestingly, this finding diverged from certain studies, such as those by Lin & Fu (2017), Mishra & Kapil (2017), and Ping & Hsien (2009), which identified a negative effect of company size on financial performance due to increased agency problems in larger companies. The contention by Bharbra (2007) that larger companies, benefiting from better economies of scale, experience a positive influence on financial performance introduced a nuanced perspective, underlining the complexity of the relationship between company size and financial outcomes. This thesis thus contributes to the ongoing discourse on the multifaceted dynamics influencing the financial performance of development banks in Nepal.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The financial performance of Nepalese development banks undergoes meticulous examination through a strategic blend of descriptive and causal research design. Although the initial attention is directed towards a population of 17 development banks, the study intentionally narrows its focus to four specific institutions, enabling a more nuanced and targeted analysis. To ensure a robust inquiry, a ten-year historical dataset is carefully compiled from the annual reports of the selected banks, forming the core of the research and relying predominantly on secondary data. The analysis employs a sophisticated combination of statistical and financial tools, with SPSS software facilitating a detailed examination of the impact of Cash Reserve Ratio (CRR), Credit to Deposit Ratio (CD ratio), and Asset Utilization (AU) on key profitability indicators, specifically Return on Assets (ROA) and Return on Equity (ROE). The selected independent variables, such as Cash Reserve Ratio, Credit to Deposit Ratio, Non-performing Loan, Net Profit to Total Loan and Advance Ratio, and Interest Income to Total Loan and Advance Ratio, are thoughtfully chosen to encompass the multifaceted aspects of financial performance. The research findings reveal a substantial and noteworthy influence of these variables on ROE, highlighting their significance in shaping the equity-related dimensions of development banks. Conversely, the analysis indicates an insignificant impact on ROA, shedding light on the nuanced intricacies of the overall asset management of the banks. This research not only imparts a nuanced understanding of the financial dynamics within the Nepalese development banking sector but also provides valuable insights for strategic decision-making, laying the groundwork for informed and targeted interventions in the industry.

5.2 Conclusion

In addressing the first objective, this research successfully provides a detailed examination of the profitability status of Nepalese development banks. By focusing on four specific institutions within the larger population of 17, the study offers a comprehensive overview of the financial performance, laying the foundation for a nuanced understanding of the sector's profitability dynamics.

The second objective is met through a rigorous analysis of the impact of Cash Reserve Ratio (CRR), Credit to Deposit Ratio (CD ratio), and Asset Utilization (AU) on the profitability indicators, specifically Return on Assets (ROA) and Return on Equity (ROE). The findings underscore a significant influence of these variables on ROE, emphasizing their crucial role in shaping the equity-related aspects of development banks' profitability.

Addressing the third objective, this research delves into the intricate relationships between Cash Reserve Ratio (CRR), Credit to Deposit Ratio (CD ratio), Asset Utilization (AU), and profitability indicators. The observed significant impact on ROE highlights a meaningful relationship between these variables and the equity-based profitability of development banks. Meanwhile, the identified insignificance in the impact on ROA suggests a more nuanced and complex interplay between the variables in relation to asset-based profitability.

In summary, the research provides a holistic understanding of the financial performance of Nepalese development banks, offering insights into both equity and asset dimensions. The findings contribute valuable information for strategic decision-making within the sector, with implications for improving financial dynamics and overall performance.

5.3 Implication

The implications of this research study carry significant importance for stakeholders and decision-makers in the Nepalese development banking sector. The identified impact of Cash Reserve Ratio (CRR), Credit to Deposit Ratio (CD ratio), and Asset Utilization (AU) on Return on Equity (ROE) underscores the need for a strategic approach to managing these key financial variables. Development banks can benefit from optimizing their Cash Reserve Ratios and Credit to Deposit Ratios to enhance ROE. Additionally, attention to effective Asset Utilization can further contribute to improved profitability. While the study indicates an insignificant impact on Return on Assets (ROA), this finding suggests that banks should consider alternative performance metrics or refine their strategies to enhance overall asset efficiency. The inclusion of Non-performing Loan, Net Profit to Total Loan and Advance Ratio, and Interest Income to Total Loan and Advance Ratio as independent variables provides nuanced insights into specific factors influencing profitability. Overall, this research guides decision-makers in formulating targeted strategies, refining risk management practices, and fostering a more nuanced understanding of the financial dynamics within Nepalese development banks.

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ROA	ROE	NPLR	CRR	CDR	NPTL	IIL
2.22	27.50	0.59	8.06	83.07	3.22	15.51
2.52	40.00	0.45	6.64	85.44	3.42	13.82
2.42	32.63	0.19	7.95	83.15	3.25	12.47
2.79	34.00	0.09	8.49	87.83	3.65	11.86
2.49	21.27	0.02	7.22	91.30	3.18	15.41
1.79	16.61	0.0	5.12	82.07	2.48	9.96
1.65	16.94	0.07	6.7	82.61	2.24	10.86
1.07	12.16	0.46	7.16	80.94	1.47	12.08
1.14	19.24	0.23	5.94	82.76	1.51	8.37
1.11	15.87	0.21	6.96	85.58	1.50	10.79
0.97	52.63	1.58	1.07	56.74	1.90	15.91
1.96	36.84	1.88	1.18	66.24	3.29	12.57
2.13	27.37	1.61	1.10	72.35	3.33	12.22
2.38	26.32	1.09	1.09	87.57	3.13	11.04
2.82	31.71	1.02	1.03	82.70	3.94	11.96
2.61	17.00	0.62	1.032	81.57	3.85	14.16
1.96	18.00	0.62	1.02	85.63	2.65	12.72
0.91	12.63	2.76	1.03	77.00	1.33	13.65
1.00	8.96	3.77	1.02	83.87	1.40	9.94
1.1	9.01	2.79	6.01	85.80	1.55	10
0.2	25.00	0.02	5.87	80.78	2.52	15.36
0.2	21.05	0.12	5.68	87.07	2.98	14.71
0.2	20.04	0.29	6.42	86.55	2.62	13.13
0.2	20.80	0.31	6.22	86.77	2.75	11.92
0.2	15.00	0.24	6.22	89.51	2.69	12.48
0.2	10.00	0.27	5.87	88.83	2.34	14.96
1.53	16.00	0.20	4.06	85.83	2.09	12.92

1.15	13.50	0.79	3.94	77.77	1.64	12.11
1.15	16.00	0.72	3.46	82.04	1.54	10.14
1.29	13.00	0.85	3.14	85.31	1.69	13.05

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ABSTRACTS This research delves into the financial performance of Nepalese development banks, employing a meticulous examination through a blend of descriptive and causal research design. Initially focusing on a population of 17 development banks, the study strategically narrows its scope to four specific institutions,