FINANCIAL ANALYSIS AND ITS IMPACT ON PROFITABILITY OF MICROFINANCE COMPANIES IN NEPAL

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

by

Gita Parajuli
Shanker Dev Campus
Symbol No.: 23338/20
Campus Roll No.: 372/076
T.U. Regd. No.: 7-2-427-6-2014

Group: Finance

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Financial Analysis and Its Impact on Profitability of Microfinance Companies in Nepal**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Gita Parajuli

REPORT OF RESEARCH COMMITTEE

Miss Gita Parajuli has defended research proposal entitled "**Financial Analysis and Its Impact on Profitability of Microfinance Companies in Nepal**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Dr. Kapil Khanal and submit the thesis for evaluation and viva voce examination.

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Asso. Prof. Dr. Kapil Khanal
Dissertation Supervisor

Dissertation Proposal Defended Date:

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Dissertation Submitted Date:

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Asso. Prof. Dr. Sajeeb Kumar Shrestha
Head of Research Department

Dissertation Viva Voce Date:

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Financial Analysis and Its Impact on Profitability of Microfinance Companies in Nepal**" presented by Gita Parajuli a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Asso. Prof. Dr. Kapil Khanal
Dissertation Supervisor

……..

Internal Examiner

……

Internal Expert

…….
External Expert

…….

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairman, Research Committee

……..

Campus Chief

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This study entitled "**Financial Analysis and Its Impact on Profitability of Microfinance Companies in Nepal**" has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the financial analysis on profitability of microfinance comapnies in Nepal.

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Gita Parajuli

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ABBREBIATIONS

BOD	:	Board of Directors
C.V.	:	Coefficient of Variation
D/Y	:	Dividend Yield
DPR	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
FIRST	:	First Microfinance Laghubitta Bittiya Sanstha Limited
FNCCI	:	Federation of Nepalese Chamber Of Commerce And Industries
GDP	:	Gross Domestic Product
IPO	:	Initial Public Offering
LC	:	Letter Of Credit
MVPS	:	Market Value Per Share
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
NWPS	:	Net Worth Per Share
P/E	:	Price Earnings
RMDC	:	Rural Microfinance Development Limited
ROC	:	Registrar of Companies
RSDC	:	RSDC Laghubitta Bittiya Sanstha Limited
S.D	:	Standard Deviation
SEB	:	Securities Exchange Board
SEC	:	Securities Exchange Centre
SKBL	:	Sana Kishan Bikas Lagubitta Bitiya Limited

ABSTRACT

Examining the effect of financial indicators on the profitability of Nepali microfinance companies is the aim of this study. The financial institution's management of liquidity must adhere to a decision-making framework for managing liquidity risk, as well as a suitable funding plan, exposure limitations, and a set of guidelines for allocating liquidities in an emergency. The public stake and the day-to-day operations of businesses are both aspects of liquidity. Lack of cash or inadequate liquidity sends a bad message to individuals and corporate entities about the severity of the financial crisis and other issues within the financial institution.

It also provides the structure of the terms price earnings ratio (PER), cash reserve ratio (CRR), return on assets (ROA) of microfinance enterprises, total assets (TA), dividend payout ratio (DPR), and price earnings ratio (PER). The experiment variables in this study include the cash reserve ratio, dividend payout ratio, price earnings ratio, total assets, and ROA and ROE as the dependent variables. The secondary data was gathered over a nine-year period, from 2070/71 to 2078/79, from permitted companies' annual reports. Using SPSS version 24, a descriptive, casual, and explanatory research design is employed to analyze and evaluate the data. Using the convenience sampling technique, a sample of four microfinance companies—First Microfinance Laghubitta Bittiya Sanstha Limited, Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited, Rural Microfinance Development Center Limited, and RSDC Laghubitta Bittiya Sanstha Limited—was drawn from a population of sixty-three. We have utilized secondary data for this investigation. One important analytical approach in panel data analysis is ordinary least square regression (OLS). While CRR and ROA also have a strong positive link, total assets and ROE have a considerable positive correlation. There is little correlation between ROE and the cash reserve ratio, dividend payout ratio, and price earnings ratio. The study's findings may facilitate the implementation of efficient measures by legislators and bankers to increase the profitability of financial organizations.

Key Words: Profitability, Microfinance Companies, ROE, ROA Liquidity, Creditability

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

The measure of financial analysis that compares a period's cash flow to the amount of loan interest and principal due for that period. The ratio should be at least equal to or greater than 1, indicating that the project is making enough money to pay off its debts. The picture of an organization that depicts its profit margins is known as its financial performance. Benefit is one of the essential indictor of sound monetary execution. The firms' financial strength and weakness are shown by their financial performance. Asset report, benefit and misfortune articulation shows the monetary presentation of an association. The organization's overall financial performance can be measured with the assistance of the analysis of these financial statements. The examination of monetary execution assists with laying out an essential connection between the things of asset report and pay explanation and other employable information to disclose the importance and meaning of such things. Therefore, managerial and financial decisions require a financial performance analysis (Bist, 2004).

Fiscal summaries incorporate data about the organization's resources, liabilities, pay and costs as well as its monetary condition at a particular second in time and throughout a couple of earlier years mirroring its monetary presentation. Then again, they cause to notice pivotal monetary components including market capitalization esteem, benefit, liquidity, and action capital construction. The crucial source material for monetary investigation, editorial, and understanding is the yearly report that is made accessible to investors during the yearly comprehensive gathering. Internal management deficiencies, operational inefficiencies, and irregularities can all contribute to a company's poor performance, as shareholders' concerns. According to Bhatta (2004), Nepal Stock Exchange Limited has compiled, analyzed, and gathered financial statements that provide more in-depth information regarding the company's performance.

A method for evaluating the economic performance of funds that have been mobilized is known as performance analysis. It is the most common way of contemplating or assessing the exhibition of a specific situation in correlation of the objective which was to be accomplished. Banks and other financial institutions rely heavily on performance analysis

to boost performance and make better decisions. It incorporates efficient perception (Greuning and Bratonovic, 2004)

An organization's capacity to bring in cash and utilize resources from its foremost method of business is estimated emotionally by its monetary execution. This word is likewise utilized as a wide sign of an organization's generally monetary wellbeing during a predetermined time span. It can be used to compare similar businesses in the same industry or sector in a consolidated manner. It involves deliberate perception, appraisal of the budget summaries to measure an association's benefit, income creation, and income. The pay explanation, asset report, and benefit and misfortune account are completely remembered for the budget summary. The profit and loss account details the operational outcomes for a specific time period, while the balance sheet details the financial situation in relation to capital, total payables, and assets. Monetary execution examination assumes a crucial part in inside control, better monetary position and better execution of an association (Malik and Rafique, 2013).

The term "profitability" is a deviant from "profit," indicating that a company's capacity to generate a profit serves as the primary metric for determining its level of success. Simply stating, it is the fundamental test performance of any business. Profit is the difference between what is sold and what is spent. However, the term "profit" is highly contentious, and there are a number of different ways to interpret it (Horngren, 1992).

The term "financial performance analysis" refers to a company's financial activities geared toward maximizing its value. One way to put it is as the center of any financial decision. The financial performance of an enterprise has a significant impact on its expansion and development. Profit is the motivation for business organizations. One of the most important indicators of a company's strong financial performance is the value of its profit (Neupane, 2019).

Therefore, the goal of this research is to identify the status of DPR, Total Assets, CRR, P/E ratio, ROA and ROE of microfinance companies in Nepal. As a result, DPR, Total Assets, CRR, P/E ratio that affect performance of company. The study examine the

relationship between DPR, Total Assets, CRR, P/E ratio, ROA and ROE of microfinance companies in Nepal.

1.2 Problem Statement

When determining a company's profitability and overall financial health, financial indicators are crucial. It mirrors an organization's capacity to oversee creation costs productively. EPS computes the piece of an organization's benefit designated to each remarkable portion of normal stock. Because it indicates a company's profitability per share, it is essential for investors. Obligation to value proportion shows the extent of obligation and value an organization is utilizing to back its resources. While low debt levels may indicate limited leverage for growth, high debt levels can have an effect on profitability due to interest payments.

Nepal's open and liberal economic approach to the microfinance industry resulted in the establishment of numerous institutions, financial firms, rural microfinance organizations, and cooperative societies. Due to their rapid growth, financial institutions are now fiercely competing with one another. Despite this, in a short period of time, financial institutions have outperformed other nearby microfinance organizations. Microfinance businesses operate more efficiently than other private or governmental microfinance organizations. However, the introduction of new technologies like computerization and a more competitive economy present them with a number of obstacles. To achieve monetary productivity, endeavors are made and upgrades are estimated.

The financial performance of the microfinance industry is influenced by both internal and external factors. Because they are connected to the indicators obtained from the microfinance financial statements (income statement and balance sheet), internal variables can be considered a particular aspect of microfinance profitability (Wahdan & Leithy, 2017). External factors, which are variables unrelated to the administration of the microfinance, reflect the economic and regulatory environments that have an indirect impact on the functioning and portability of microfinances (Tobias & Themba, 2011).

A robust microfinance sector is necessary for maintaining the integrity of the microbanking system. According to Yenesew (2014), poor financial performance affects MFIs' solvency because it reduces their capacity to withstand adverse shocks. Further developed monetary execution permits banks to recover their entire venture or make money, making foundations that can remain all alone for quite a while without requiring progressing support from the public authority or gifts. How much help shoppers bear the whole expense of administration arrangement straightforwardly decides the monetary exhibition of MFIs (Adhikari, 2014). Consequently, size, credit risk, liquidity risk, functional effectiveness, and capital levels are a portion of the key factors impacting the monetary presentation of microfinance establishments.

The capacity of a microfinance program to offer a specific support at the least conceivable expense is alluded to as functional effectiveness (Adhikary, 2014). Functional effectiveness is a presentation metric utilized by MFIs to assess how effectively they are smoothing out their tasks while representing input as well as result costs (Ongore and Gemechu, 2013). A better use of MFIs' loanable resources should be guaranteed by effective cost control, potentially increasing MFI profitability. One of the significant dangers to manageable microfinance is failure in light of the fact that numerous foundations actually miss the mark on essential scale or effectiveness expected to take care of expenses. Working productivity proportions, or OERs, are regularly used to measure functional effectiveness. According to Dufera (2010), smaller OERs are preferable to larger OERs because they demonstrate that operating expenses are less than operating revenues.

The amount of the bank's own money that is available to support the business and serve as a cushion in the event of a bad situation is called capital. Since deposits are essentially other people's money that can be recalled at any time, capital provides a financial institution with liquidity (Dang, 2011). Higher capital levels relative to assets ensure that, in the event of a loss, the institution will have sufficient funds on hand to cover the loss or will have sufficient capital to absorb losses while maintaining financial viability (Adhikary, 2014). Therefore, a well-capitalized bank could signal to the market that better-than-average performance is to be expected in the presence of asymmetric information (Kahiga, 2014). Typically, the ratio of MFI equity to total assets is used as a proxy for the level of capital or adequacy.

The capacity of establishments to fulfill need for reserves is alluded to as liquidity. At the point when a microfinance bank can't fulfill its monetary necessities or installment responsibilities on time and proficiently, liquidity risk creates (Idama, 2014). According to Brom (2009), a MFI with insufficient liquidity may be more susceptible to future unpredictability, delayed refinancing, delays in achieving growth targets, and elevated portfolio risk. Each microfinance bank office should make a day to day reserve plan that coordinates the day to day matching of money withdrawals for the branch and money inflows from credit reimbursement and investment funds stores to limit liquidity risk (Idama, 2014). The loan to total assets ratio (LAR), which indicates the proportion of total assets used to provide the loan, is typically used to measure the liquidity position of MFIs (Adhikary, 2014).

A lender's risk of financial loss if a borrower breaches a credit or loan agreement or fails to meet its obligations is known as credit risk. When credit risk is effectively managed through appropriate management, profits rise and insolvency decreases (Sule, 2012). In addition to its loan portfolio, a microfinance bank's other assets and operations carry credit risk. Credit risk, which has an effect on any financial institution's overall performance and profitability, is one of the main threats to the viability of microfinance banks. According to Idama (2014), controlling credit risk is a crucial part of microfinance banks' operations, and reducing risks requires significant operational work.

The relationships that an organization has both within and outside of its workplace, as well as its profitability, are significantly influenced by the size of the organization. The modern intermediation theory predicts efficiency gains that are proportional to a financial institution's size because of economies of scale (Kahiga, 2014). In order to compete with larger microfinance providers, especially smaller MFIs are at a disadvantage because it is difficult for them to diversify their product offerings and pay the high operating costs of the sector (Muriu, 2011). In addition, according to Addisalem (2015), big businesses have more market power, are more diverse, and may have more organizational slack in good times than small businesses. Size catches the economies or diseconomies of size of an establishment and regularly the normal logarithm of complete resource of MFIs is utilized as an intermediary of size (Winnow, 2007).

Therefore, this study aims to answer the following questions;

- What are the major financial indicators of microfinance companies?
- Is there any relationship between DPR, Total Assets, CRR, P/E ratio, ROA and ROE of micro finance companies in Nepal?
- Do the DPR, Total Assets, CRR and P/E ratio impact the ROA and ROE of MFIs?

1.3 Objectives of the Study

An essential part of making financial decisions is financial analysis. An organization's financial performance has a significant impact on its expansion and development. The primary targets of this study are to dissect monetary pointer investigation and its effect on benefit of microfinance organizations. The specific goals are as follows:

- To analyze the major financial indicators of microfinance companies.
- To examine the relationship between DPR, Total Assets, CRR, P/E ratio, ROA and ROE of microfinance companies.
- To analyze the impact of DPR, Total Assets, CRR and P/E ratio on ROA and ROE of microfinance companies.

1.4 Rationale of the Study

This study draws the consideration from each worry of financial backers, academicians, business people and furthermore for closely involved individuals. Financial managers can learn from this study how various factors affect financial performance and how they relate to the company's financial position. Investors who want to know how financial performance and signaling factors affect financial indicators can benefit from this study as well. This concentrate presumably will be significance to different gatherings yet specifically it is coordinated to specific gathering which are:

Importance to shareholders

For example, investors can successfully forestall takeover endeavors assuming they accept that the contribution cost is deficient. In this way, with command over most of parts of an organization's tasks, investors assume a critical part in its general presentation and benefits.

Importance to customers

Notwithstanding what industry you're in or what sorts of items and administrations you sell, your client is the main piece of your business. You won't make any sales if you don't have a customer. Thus, they are a basic element while fostering your promoting informing and methodology.

Importance to financial institution and stock exchange

Although financial markets may appear to be confusing, their main purpose is to bring people together so that money goes where it is needed most. Markets give money to organizations so they can employ, contribute and develop. They give cash to the public authority to assist it with paying for new streets, schools and emergency clinics.

Importance to government bodies and policy makers

The reasons for doing things a particular way and in that particular direction are outlined in government policies. Public issues can start in vast ways, and they require different approach reactions. Numerous policies that guide businesses are established by governments.

Importance to the institutes

Establishments additionally play a significant redistributive part to play in the economy, they ensure that assets are appropriately dispensed, and guarantee that poor people or those with less financial assets are secured. By providing justice and policing systems that adhere to a common set of laws, they also foster trust.

Importance to the researchers

The primary goals of research are to provide guidance for action, collect evidence to support theories, and contribute to the advancement of knowledge in a particular field. Understanding and decision-making are enhanced by research. It is the most important instrument to grasp the intricacies of an issue, object lies and maintain truth and expand on to make information that is dependable and credible. Directing exploration fosters a superior comprehension and upgrades dynamic capacities.

1.5 Limitations of the Study

There are some boundaries set by each study. They include to concentrate on inside this system. Along these lines, there are a restrictions because of absence of information time and data. These are the main ones:

1. The study is limited to only four micro finance companies of Nepal, namely; First Microfinance Laghubitta Bittiya Sanstha Limited, Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited,Rural Microfinance Development Centre Limited and RSDC Laghubitta Bittiya Sanstha Limited.
2. Only secondary data is used for analysis which are taken from annual report of respective banks, journals and articles, NRB directives etc.
3. The whole study is limited to the past nine year's data From 2070/71 to 2078/79 period.
4. The study deals with certain financial tools and statistical tools only.

CHAPTER – II
LITERATURE REVIEW

This section is worried about survey of writing applicable to the point 'Effect of monetary marker on productivity of microfinance organizations'. The motivation behind checking on of writing is to foster some mastery in one's space, to see what new commitment has made and to get a few thoughts for fostering an examination plan. Hence, past examinations can't be disregarded as they give the groundwork of the current review. Based on my knowledge, research, and relevant studies, as well as a review of journals and articles and previous thesis work, this chapter highlights the available literature in the subject. The following topics are examined under this topic.

- Theoretical Review
- Empirical Review
- Research Gap

2.1 Theoretical Review

2.1.1 Concept of Financial Performance

The term "financial performance analysis" refers to the examination of a company's financial activities with the intention of maximizing its value. For the better monetary exercises, effectives, viable and productive choices are important and those better monetary exercises contribute astounding monetary execution which thusly results to development of the association (Yenesew, 2014).

Monetary execution examination can be characterized as the core of monetary choice. Financial performance has a direct impact on an organization's growth and development, and a company's financial performance is accurate when true facts and figures are sorted. Profit is the motivation for business organizations. The worth of benefit procured is likewise one of the significant signs of a decent monetary presentation of a firm (Yenesew, 2014).

"The primary financial performance indicators of businesses are the company's profits," An improved understanding of a form's positions—its strengths and weaknesses—is the goal of financial performance analysis. Consequently, it includes the utilization of

different budget reports. To begin with, the monetary record which addresses the company's monetary situation right now and afterward comes pay explanation which addresses the synopsis of firms benefit throughout a period" (Robinson, 1951).

Monetary execution examination as a piece of monetary administration is the fundamental sign of progress and disappointment of the firm. By looking at the company's past performance and efficiency through the lens of accounting data and financial statements, its decision has a significant impact on the company's profitability. Benefit is fundamental for a firm to make due, fill in lengthy run as well as to keep up with capital sufficiency through held profit. In any case, benefit can't exclusively foresee the monetary exhibition of the firm. Monetary state of the business firm ought to be sound according to the perspective of investors and partners and monetary establishment and country in general. Notwithstanding, monetary angles are one of the most dismissed parts of the public undertakings in Nepal. Be that as it may, foundation banks have been breaking down their monetary execution to make restorative moves in ideal way, yet which has likewise been restricted inside the actual banks (Chand, 2016).

In the context of Nepal, where microfinance institutions play a crucial role in the country's economic expansion, it would make sense to use a variety of measuring financial tools to examine the financial performance of Nepal's leading companies to learn about their earnings and how they are using them (Kahiga, 2014).

Monetary execution investigation can be considered as a feeling of the monetary choices. The development and advancement of any business firm is straightforwardly impacted by the monetary arrangements. Maintaining relationships with banks and other financial institutions, keeping records, and raising necessary funds are all too much work for public enterprises' financial performance management to be evaluated rationally. Be that as it may, a monetary viewpoint is one of the most dismissed parts of public undertakings in Nepal. Institutional banks, on the other hand, have taken corrective action after analyzing financial performance. Be that as it may, their examination is restricted with the actual bank. As part of financial management, there are a number of institutions that have an impact on the company's decision-making (Chand, 2016).

In order to implement a food financial management system for internal control, the company's management is interested in all aspects of financial analysis. Similarly, the firm's liquidity positions are of primary interest to trade creditors. Long haul leasers are more intrigued by the income capacity of the undertaking to support obligation over a long run. The company's financial results are of interest to all involved parties, either directly or indirectly. The outright bookkeeping figures are accounted for in the fiscal report, monetary record, benefit and misfortune account and different explanations don't give a significant comprehension of the exhibition and monetary place of the firm. Hence monetary examination is the vitally subjective judgment cycle of recognizing the monetary strength and shortcoming of the firm by appropriately laying out the connection between the things of the asset report and benefit and Misfortune Record (Golesorkhi, 2019).

The Nepalese institution bank is a business that makes money. Therefore, the primary metric for a commercial bank's financial performance in Nepal is its profit. However, it cannot solely predict the bank's performance by examining the profitability status. The bank's financial performance must take into account every aspect of the financial analysis.

2.1.1.1 Theory of Finance

Investing strategies and estimations of monetary value are both based on finance theory, which encompasses both speculation and mathematical measurements. Finance theories are also used to manage financial risk and plan for raising money and capital.

2.1.1.2 Efficient Market Hypothesis

The efficient market hypothesis (EMH), also known as the efficient market theory, asserts that consistent alpha generation is impossible and that share prices reflect all information. As per the EMH, stocks generally exchange at their fair worth on trades, making it incomprehensible for financial backers to buy underestimated stocks or sell stocks at swelled costs. Accordingly, it ought to be difficult to outflank the general market through master stock choice or market timing, and the main way a financial backer can acquire more significant yields is by buying less secure speculations. The effective market speculation (EMH) or hypothesis expresses that offer costs mirror all data. The EMH

speculates that stocks exchange at their honest evaluation on trades. Defenders of EMH set that financial backers benefit from putting resources into a minimal expense, detached portfolio. EMH critics contend that stocks can deviate from their fair market values and that it is possible to beat the market. The EMH is highly contentious and frequently contested, despite the fact that it is a cornerstone of contemporary financial theory. Devotees contend there is no point in looking for underestimated stocks or to attempt to anticipate patterns in the market through one or the other essential or specialized examination. According to Downey, Scott, and Velaswuez (2002), theoretically, neither technical nor fundamental analysis can consistently produce risk-adjusted excess returns (alpha), and only inside information can result in outsized risk-adjusted returns.

2.1.1.3 Fifty Percent Principle

The 50% guideline is a guideline that expects the size of a specialized remedy. According to the fifty percent rule, a stock or other asset will lose at least fifty percent of its most recent gains before the price begins to rise again when it begins to fall after a period of rapid gains. A stock's value during a correction can be predicted using the fifty percent rule. It says that an asset will lose between 50% and 67% of its recent price gains if it falls after a price increase before recovering. Specialized experts utilize the 50% rule to distinguish a decent passage point into a specific stock and guarantee that their help levels to forestall further drops. The principle works because the majority of investors react similarly to price drops. According to Smith (2001), the fifty percent rule is most effective for short-term trading and may be less effective during major economic events.

The 50% rule predicts that when a stock or other security goes through a cost remedy, the cost will lose somewhere in the range of half and 67% of its new cost gains prior to bouncing back. The principle is used by traders as a technical analysis tool to determine the ideal entry point to maximize profits when the upward trend resumes. The 50% rule is one of a few specialized speculations that endeavor to distinguish support levels in market conduct. When following a stock price as it fluctuates between its support level and new highs, other charting techniques, such as pattern analysis and Fibonacci ratios, are guided by an understanding of this principle. Short-term investing is the most common application for this type of chart analysis. This is due to the unanticipated effects of major economic events, which make it risky to rely on charting for longer periods. Markets and

the economy as a whole are reshaped by major events like the 2008 financial crisis (Smith, 2001).

2.1.1.4 Great Fool Theory

The greater fool theory in finance holds that if assets can be resold at a higher price in the future, it is possible to make money by purchasing overvalued assets at a price that is significantly higher than their intrinsic value. In this unique situation, one "fool" could pay for an overrated resource, trusting that he can offer it to a significantly "more prominent simpleton" and create a gain. This only works as long as a sufficient number of new "greater fools" are willing to pay an increasing price for the asset. A sell-off can cause the price to drop significantly until it is closer to its fair value, which may be zero in some cases (Malkiel, 2018) when investors can no longer deny that the price is out of touch with reality.

The More prominent Idiot Hypothesis is the possibility that, during a market bubble, one can bring in cash by purchasing exaggerated resources and selling them for a profit later, on the grounds that it will constantly be feasible to find somebody who will follow through on a greater expense. When any group of stocks, in this case those associated with the excitement of the Internet, begin to rise, it signals the beginning of a bubble. The updraft urges more individuals to purchase the stocks, which causes more television and print inclusion, which makes much more individuals purchase, which makes huge benefits for early Web investors. The fruitful financial backers tell you at mixed drink parties that it is so natural to get rich, which makes the stocks rise further, which pulls in increasingly large gatherings of financial backers. However, the entire process is similar to a Ponzi scheme in that it requires a steady stream of skeptic investors to purchase the stock from previous investors. Malkiel (2018) says that greater fools eventually run out.

2.1.1.5 Odd Lot Theory

The odd lot theory is a technical analysis hypothesis based on the idea that individual investors are more likely to generate odd-lot sales and that the small individual investor is typically wrong. Thusly, on the off chance that odd part deals are up and little financial backers are selling a stock, it is likely a great opportunity to purchase, and when odd-parcel buys are up, it might demonstrate a great opportunity to sell. Orders involving fewer than 100 shares are referred to as odd-lot trades. Individual retail traders, who are probably less knowledgeable market participants, are thought to be the primary

participants in these odd-lot trades. Odd parcel hypothesis prompts exchanging against these clueless dealers' movement. The results of testing this hypothesis appear to show that this observation does not always hold true. The odd part hypothesis centers on following exercises of individual financial backers exchanging odd parcels. This speculation likewise expects that proficient financial backers and brokers will generally exchange round part estimates (products of 100 offers), to further develop evaluating productivity in their orders. Albeit this believing was normal legend from around 1950 for the rest of the hundred years, it has since become less famous (Scott, 2022)

2.1.1.6 Prospect Theory

According to prospect theory, people make decisions based on perceived gains rather than perceived losses because losses and gains are valued differently. The general idea behind this theory, which is also known as the "loss-aversion theory," is that if two equal options are presented to an individual, one with potential gains and the other with potential losses, the individual will choose the first option. According to the prospect theory, investors value gains and losses in different ways, giving more weight to perceived gains than losses. In terms of potential gains, an investor will choose the option presented when presented with two options of equal value. The loss-aversion theory is another name for prospect theory. According to the prospect theory, which is a part of behavioral economics, investors should choose perceived gains over perceived losses because losses have a greater emotional impact. The sureness impact says people incline toward specific results over likely ones, while the detachment impact says people counterbalance comparative data while going with a choice. The behavioral economic subfield includes prospect theory, which explains how people choose between probabilistic options when there is risk and the probability of different outcomes is unknown. Amos Tversky and Daniel Kahneman further developed this theory in 1992, deeming it to be more psychologically accurate of how decisions are made than the expected utility theory (Chen, 2022).

2.1.1.7 Rational Expectations Theory

According to the economic theory of rational expectations, people make decisions based on the best market information and learn from past trends. People should have realistic expectations that they will occasionally be wrong but that, on average, they will be correct. American economist Muth created the concept of rational expectations for the

first time in 1961. However, economists Robert Lucas and T popularized it. As part of the new classical revolution, Sargent was widely used in microeconomics in the 1970s. The following assumptions are made in the theory:

- When people have reasonable expectations, they always learn from their mistakes.
- Forecasts are objective, and individuals make decisions based on all relevant data and economic theories.
- Individuals comprehend how the economy functions and how government approaches change macroeconomic factors, for example, cost level, level of joblessness, and total result.

The objective suspicions speculation comes in feeble and strong variations. The "strong" version assumes that actors are able to use all of their available information to make informed choices. The "weak" versions acknowledge that people need time to get to all appropriate information yet go with decisions considering their limited data. For instance, assuming they buy cornflakes, it is "levelheaded" to continue purchasing the same brand without stressing about obtaining accurate information about the relative costs of other cornflakes brands (Muth, 1961).

2.1.1.8 Short Interest Theory

Short interest hypothesis expresses that elevated degrees of short interest are a bullish pointer. As a result, those who subscribe to this theory will try to acquire heavily shorted stocks in order to take advantage of the anticipated price rise. This approach conflicts with the overall perspective on most financial backers, who see short selling as a sign that the shorted stock is probably going to decline. As a result, short interest theory can be viewed as an unconventional investment strategy. The view that heavily shorted stocks are more likely to rise in the future is known as short interest theory. It is an antagonist approach in light of the fact that most financial backers view short interest as a negative pointer. The groundwork of short interest hypothesis is the way that short merchants are in some cases compelled to forcefully purchase partakes to cover their positions.

The workings of short selling form the foundation of short interest theory. At the point when financial backers short a stock, they really get that stock from a representative and afterward quickly sell it for cash. When the broker eventually demands repayment, the

investor must purchase shares on the open market and return them to the broker. If the price of the shares they short falls after they sell them, short sellers profit. The short seller might be able to purchase the shares back from the broker at a lower price and keep the difference as a profit (Fernando, 2021).

2.1.2 Profitability Theory

The speculations that are audited in this study are: liquidation cost hypothesis, market power hypothesis and effectiveness hypothesis.

2.1.2.1 The efficiency theory

On the other hand, the efficiency hypothesis states that banks make a lot of money because they are more efficient than other businesses. There are additionally two particular methodologies inside the proficiency; the X-productivity and Scale-effectiveness speculation. The X-efficiency approach asserts that lower costs make more efficient businesses more profitable. These businesses typically acquire larger market shares, which may result in increased market concentration, but there is no direct correlation between concentration and profitability (Athanasoglou et al.). 2008).

2.1.2.2 The market power theories

According to Tregena (2009), the banking application of the market power hypothesis holds that the industry's market structure influences a bank's performance. The market power theory has two distinct approaches: the Relative Market Power (RMP) and Structure Conduct Performance (SCP) hypotheses. As per the SCP approach, the degree of fixation in the financial market brings about potential market power by banks, which might raise their productivity. Despite their efficiency, banks in more concentrated markets are more likely to make abnormal profits due to their ability to lower deposits rates and charge higher loan rates as a result of collusive (explicit or tacit) or monopolistic reasons (Tregenna, 2009).

2.1.2.3 The balanced portfolio theory

According to Olweny & Shipo (2011), the most applicable approach, portfolio theory, is utilized in bank performance studies. The optimal holding of each asset in a wealth holder's portfolio, according to the Portfolio balance model of asset diversification, is a function of policy decisions determined by a number of factors, including the size of the

portfolio, a vector of risks associated with ownership of each financial asset, and the vector of rates of return on all assets held in the portfolio. It implies that bank management's decisions determine microfinance institutions' desired portfolio composition and portfolio diversification. Further, the capacity to get most extreme benefits relies upon the plausible arrangement of resources not entirely set in stone by the administration and the unit costs caused by the bank for creating every part of resources (Olweny and Shipo, 2011).

2.1.2.4 Bankruptcy Cost Theory

(Aremu, Ekpo and Mustapha, 2013) recommend that ―Bankruptcy Cost Hypothesis make sense of the positive connection between capital sufficiency and productivity. Banks will need to hold more equity and increase their capital ratio in order to reduce the expected value of bankruptcy costs and avoid financial distress if the environmental changes cause unexpectedly high costs for bankruptcy.

2.1.2.5 Risk return Hypothesis

The Risk-Return hypothesis, as stated by Olweny and Shipho (2011), provided an explanation for the negative correlation between profitability and capital sufficiency. In order to increase profitability, a bank will increase its leverage or debt when it decides to take on more risk in order to achieve higher expected returns. This suggests that a bank will need to lower the equity-to-asset ratio (capital) if it wants to use more money. According to this theory, a bank's preference for leverage over equity means that capital adequacy may be negatively correlated with profitability.

2.1.3 Financial Indicators

The various aspects of a company's financial health, performance, and viability can be evaluated using financial indicators, which are quantitative metrics. These markers help financial backers, examiners, and directors pursue informed choices. Common financial indicators include: Current Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations or those that are due within a year is the current ratio. It explains to analysts and investors how a company can use its balance sheet's current assets to the fullest extent possible to pay off its current debt and other payables (Hamal, 2020).

Quick Ratio: Contrasted with the ongoing proportion, the fast proportion is a more rigid trial of liquidity. As in current liabilities are the denominator and current resources are the numerator, both are equivalent. However, only a few current assets are taken into account by the fast ratio. It takes into account assets like cash, marketable securities, and accounts receivable that are more liquid.

Profitability Ratios: Using data from a specific point in time, profitability ratios are a class of financial metrics that are used to evaluate a company's capacity to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time. They are among the most well-known measurements utilized in monetary examination. A company's health and financial performance can be seen through profitability ratios. Ratios work best as tools for comparison rather than as metrics on their own.

Gross Profit Margin: The profit after deducting the cost of goods sold (COGS) is referred to as the gross profit margin. Set forth plainly, an organization's net overall revenue is the cash it makes subsequent to representing the expense of carrying on with work. This metric, which may also be referred to as the gross margin ratio, is typically expressed as a percentage of sales.

Net Profit Margin: Level of income staying in the wake of deducting all costs. Net benefit is determined by deducting all organization costs from its all-out income. A percentage is the outcome of the profit margin calculation. The net revenue proportion is utilized to portray an organization's capacity to deliver benefit and to consider a few situations, for example, an expansion in costs which is considered inadequate. It is utilized widely in monetary demonstrating and company valuation.

Return on Equity (ROE): A financial performance metric known as return on equity (ROE) is calculated by dividing net income by shareholders' equity. Since investors' value is equivalent to an organization's resources less its obligation, ROE is viewed as the profit from net resources.

Efficiency Ratios: Most of the time, the efficiency ratio is used to look at how well a business uses its assets and liabilities internally. The turnover of receivables, the

repayment of liabilities, the quantity and utilization of equity, and the overall utilization of inventory and machinery can all be calculated using an efficiency ratio.

Asset Turnover Ratio: Measures how proficiently an organization utilizes its resources for create deals.

Debt-to-Equity Ratio: The debt-to-equity ratio shows how much of a company's equity is held by shareholders and how much is owned by creditors (those from whom it has borrowed money). It is one of three computations used to quantify obligation limit alongside the obligation adjusting proportion and the obligation to-add up to resources proportion.

Price-to-Earnings (P/E) Ratio: Cost to Income Proportion or Cost to Profit Numerous is the proportion of offer cost of a stock to its income per share (EPS). The PE ratio is one of the most widely used stock valuation metrics. It tells you whether a stock is expensive or cheap at its current market price.

Cash Flow Ratios: The liquidity test is additionally refined by the money proportion. Just an organization's money and attractive protections it's most fluid resources are considered by this proportion. These are the assets that a business can utilize the fastest to cover its prompt liabilities. Depending on how stringent the liquidity standards are, the current ratio, quick ratio, and cash ratio can be categorized as easy, medium, or hard.

Book to market ratio: By comparing a company's book value to its market value, the book-to-market ratio is used to determine its value. The historical cost, or accounting value, of a company is used to calculate its book value. The market capitalization, or number of shares outstanding, and the share price of a company on the stock market determine its market value.

Operating Cash Flow Ratio: The expense of working a piece of property corresponding to the income it creates is estimated by the working cost proportion, or OER. The operating expense ratio (OER) can be calculated by dividing total operating expenses (less depreciation) by operating income.

Market value per share: Use the share's market value per share to determine its market value. The MVPS of a company is the business's assessed market value divided by the total number of stockholder shares. The market value of a company is determined by the price at which its stock is traded on the stock market. In a variety of situations, it is essential to comprehend a company's MVPS and overall market value. This covers conditions where offers are moved because of separation or legacy.

These indicators shed light on a company's financial situation in a useful way. For a comprehensive analysis, however, it is essential to take into account the company's particular circumstances, economic conditions, and industry standards. Depending on the industry or the company's stage of growth, different indicators may have different weights.

2.2 Empirical Review

2.2.1 Review of International Articles

Serhii et al. (2023) researched on the impact of financial performance on the profitability of advertising agencies in the Slovak Republic. The purpose of this research is to investigate how advertising agencies in Slovakia's profitability is affected by financial performance. An example of 88 Slovak publicizing organizations was investigated through relapse displaying the information in view of budget reports of the monetary year 2020. Research has demonstrated that Total Assets Turnover and Firm Size have a significant positive influence on Return on Assets by selecting it as a dependent variable that reflects the financial performance of advertising agencies, while Debt to Equity Ratio has a negative influence.

Muliani, Akhyar and Maimunah (2023) examined the influence of profit management and financial performance on company value in building materials construction sub-sector companies. The study aims to investigate how earnings management, profitability, capital structure, liquidity, and the firm value of building materials are related to one another. Using Eviews 12, multiple linear regression was used to analyze the data. Profitability and capital structure had a positive and significant effect on firm value, while earnings management and liquidity had no significant effect on firm value, as the results partially indicated.

Yasmin (2022) conducted a research on financial sustainability of microfinance institutions and macroeconomic factors: A case of South Asia. In order to determine how macroeconomic decisions affect microeconomic decisions in the South Asian microfinance sector, this study investigates the financial sustainability of microfinance institutions (MFIs) within the economic context. For that reason, the information of 409 South Asian MFIs joined with the macroeconomic factors of separate nations are utilized over the period 1999-2017. A fixed-effect model (FEM) is used in the empirical analysis to look at the unbalanced panel data of microfinance institutions and macroeconomic variables. In order to deal with the possibility of endogeneity and over-identification bias, the System Generalized Method of Moment (GMM) and the two-stage least squares (2SLS) model were utilized in this study. The outcomes uncover that monetary markers, for example, unfamiliar venture, human turn of events, expansion, loan cost, confidential credit, and workforce investment have adversely affected monetary maintainability aside from the Gross domestic product development. The in general financial outcomes appear to be basic from the great administration viewpoint of MFIs. In addition, in order for MFIs to be able to maintain their financial viability, policymakers in the microfinance sector and the government must take macroeconomic considerations into account.

Kori, Muathe and Maina (2020) analyzed the financial and non-financial measures in evaluating performance: The role of strategic intelligence in the context of commercial banks in Kenya. This study gives thorough conversation on job of vital knowledge in business banks, in Kenyan setting. The primary objective was to use both financial and non-financial performance measurers to evaluate the performance of commercial banks. The monetary measurers involved return on value (ROE), while non-monetary measures were consumer loyalty, learning and development, and interior cycles. This study was moored on asset based view and adjusted scorecard model.

Additionally, a stratified sampling procedure was used to proportionally select the 181 participants for the sample. Online review and closed and open-ended questionnaires were the instruments used to collect data. This study utilized both primary and secondary data, with primary data coming from the headquarters of Kenyan commercial banks and secondary data coming from the annual reports of the Kenyan central bank for the years 2016 to 2018. Information examination was finished utilizing illustrative measurements and direct numerous relapse investigation. Discoveries of the review show that essential

knowledge has a genuinely importance on the presentation of business banks in Kenya. In addition, performance metrics, both financial and non-financial, are important for the banking industry and Kenya's economic expansion. The review suggests that business bank in Kenya ought to coordinate their preparation concentration and methodology execution with financial backers intrigues in light of adjusted score card.

Ndungu and Bosire (2020) examined on determinants of financial performance of commercial banks listed at NSE in Kenya. This study set out to determine the factors that influence the financial performance of Kenyan NSE-listed commercial banks. Unmistakable review configuration credited to an evaluation approach focusing on the eleven recorded business banks in Kenya was applied. The examination depended on optional information acquired from the evaluated budget summaries of the expressed banks to make the connection between the exploration factors. Using a data collection matrix, data on the financial effects of the listed banks were gathered. The information was dissected by the help of SPSS and the result introduced in tables utilizing measurable viewpoints, which incorporate means and standard deviations. According to the study, credit risk, liquidity risk, market risk, and operational risk account for 31.42 percent of the listed commercial banks' financial performance. Credit risk meaningfully affects monetary execution of the recorded business banks, while market hazard and activity risk affect monetary execution of the recorded business banks.

Nalianya and Miroga (2020) researched on determinants of financial performance of commercial banks in Kenya: Case of listed banks on the Nairobi Securities Exchange (NSE). As indicated by the analysts Kenya's financial climate is going through union confirmed by the elevated consolidations and acquisitions exercises over the course of the last years. The study used a descriptive research design as its method of research. The number of inhabitants in study was 244 bank staff in the money and tasks divisions from 11 recorded business bank authorized to work in Kenya as at 31st December 2016. A delegate test of 63 respondents was drawn from the populace. The data were analyzed using descriptive analysis, correlation analysis, and regression analysis. The review figured out that every one of the free factors; liquidity, capital sufficiency, functional cost and influence affected monetary execution of recorded business banks in Kenya. Leverage had the greatest significant positive impact on commercial banks' financial performance. As a result, the study advised managers of listed commercial banks to

pursue an aggressive credit policy in order to maximize the utilization of debt in capital spending activities and enhance the company's financial performance.

Ganyam and Iyungu (2019) researched on effect of accounting information system on financial performance of firms: A review of literature. The study's objective is to examine empirical literature and conceptual and theoretical foundations as well as accounting information system and firm financial performance. This study looks to assess the impact of Bookkeeping Data Framework on Monetary Execution of Firms, utilizing a survey of observational writing approach. The study's exploratory research design leads it to the conclusion that the ability of businesses to develop and use computerized systems to track and record financial transactions, which enables management decision-making, internal controls, and the quality of the financial report, has had the greatest impact on accounting. As a result, the study suggests that accounting information systems should continue to be a primary focus in every company in order to maintain productivity and effective performance.

Mwangi (2018) investigated on the effect of size on financial performance of commercial banks in Kenya. Whether or not size impacts monetary execution of business banks has not been definitively settled observationally. Therefore, the study's objective was to determine the size of the impact on Kenya's commercial banks' profitability. The study used a panel that was not balanced and included all commercial banks in Kenya from 2007 to 2016 (39 to 43). Relapse examination was utilized to relate size (proxied by log of all out resources) against monetary execution (Return on resources and return on value). Size was found to decidedly affect monetary execution of business banks in Kenya. Additionally, the effect was more pronounced with increasing commercial bank size. The review suggests that strategy drives equipped towards expanding the size of the business banks be thought of and investors/directors could likewise take on development systems (inside created, raising support or consolidations and acquisitions).

Akanbi and Adewoye (2018) analyzed the effects of accounting information system adoption on the financial performance of commercial bank in Nigeria. The commitment of business banks to people groups' everyday exercises is gigantic, in this way, it is pertinent to analyze different advancements to which their administrations has been execution actually with monetary improvement. As a result, the purpose of this research

was to investigate the effects of AIS adoption on the financial performance of Nigerian commercial banks. The review was completed in Lekki Promontory Area of Lagos Satiate, Nigeria. Three-quarter of business banks in Nigeria has a branch around here. 16 business banks present around here of study were inspected with 80 respondents arbitrarily chose from each bank. Polls were managed to these respondents to be aware of AIS reception and the degree of reception among these banks. Return on Capital Value (ROCE), Return on Complete Resource (ROTA), Net working Benefit (NOP) and Net revenue (GPM) information were obtained from monetary reports inside the new 10 years post AIS reception years (2007-2017) of the chose business banks. The stability of the measurement tool was evaluated with the Cronbach's alpha test, and the impact of AIS on bank performance was evaluated with the simple linear regression test as well. According to the study, commercial banks in Nigeria have adopted and use AIS to provide their customers with services, and the level of usage is fairly high. All of the performance indicators—ROCE, ROTA, GPM, and NOP—had positive significant associations with AIS adoption, according to the findings.

Yusuf and Surjaatmadja (2018) examined on Analysis of financial performance on profitability with non-performance financing as variable moderation (Study at Sharia commercial bank in Indonesia period 2012–2016). Specialists said that Benefit is the capacity of banks in creating benefits successfully and effectively. With non-performing financing (NPF) serving as a moderation variable, this study aims to ascertain whether profitability (proxies with return on assets [ROA]) is affected by the capital adequacy ratio (CAR) and the financing to deposit ratio (FCRR). The number of inhabitants in this study is sharia business banks in Indonesia period 2012-2016 which added up to 12 banks. Purposive sampling, in which specific criteria are used to select samples, was used in this study to collect samples from up to 11 banks. The information utilized in this examination is auxiliary information. The multiple linear regression analysis of the data is used. Meanwhile, using moderated regression analysis, examine the influence of the moderating variable on the independent and dependent variables. The outcomes showed that to some extent, Vehicle and FCRR affect productivity and BOPO affect benefit. While the NPF has a negligible impact on the relationship between BOPO and profitability, it has no significant impact on the relationship between CAR and profitability nor on the relationship between FCRR and profitability. However, NPF as a moderating variable has a significant negative effect on the BOPO relationship to ROA

sharia public bank in Indonesia between 2012 and 2016 and has an insignificant influence on the CAR relationship to ROA (unable to moderate). Additionally, NPF as a moderating variable has an insignificant influence on the FCRR relationship to ROA (unable to moderate).

Robin, Salim and Bloch (2018) researched on financial performance of commercial banks in the post-reform era: Further evidence from Bangladesh". This paper looks at the monetary presentation of the business banks in Bangladesh as far as benefit measures previously, during and after a time of monetary progression. The study uses bank-level annual data from Bangladesh's major commercial banks for the years 1983–2012 using a panel data regression framework. Experimental outcomes show monetary change affects the profit from resource (ROA) or return on value (ROE) for the banks, however the net revenue edge (NIM) has expanded. The outcomes further demonstrate that capital strength and resource quality are the principal drivers of benefit. As a result, Bangladesh's banking sector must have a sound banking policy that aims to improve asset quality and capital base.

International articles so far reviewed are presented in Meta table 1.

Table 1

Analysis of International Articles

Date	Writer	Title	Methodology	Objectives	Findings
2023	Serhii	The impact of financial performance on the profitability of advertising agencies in the Slovak Republic	Regression analysis	To analyze the impact of financial performance on the profitability of advertising agencies in Slovakia	Complete Resources Turnover and Firm Size have huge positive impact on it, yet Obligation to Value Proportion has an adverse impact.
2023	Muliani	The influence of profit	multiple	To examine the effect of	Profitability and capital structure had a positive

		management and financial performance on company value in building materials construction sub-sector companies	linear regression using Eviews 12	earnings management, profitability, capital structure, and liquidity on the firm value in building materials	and significant effect on firm value, while earnings management and liquidity had no significant effect on firm value, as the results partially indicated.
2022	Yeasin	Impact of Credit management on financial performance	Applied a deductive research design and regression analysis of panel data.	To analyze the impact of credit risk management on financial performance	Capital Adequacy Ratio (CAR) and Non-Performing Loan (NPL) had a negative and statistically significant effect on commercial banks' financial performance. While Credit to store proportion (LCRR) fundamentally affected monetary execution of business banks.
2022	Agaba & Eton	Credit risk management practices and loan performance of commercial banks in Uganda	Correlation and regression tests to analyze the relationships	To examine the relationship between Credit Risk Management Practices and Loan Performance	There was a strong correlation between credit risk control and loan performance, as well as between credit risk identification and performance, credit risk assessment and performance, and credit risk monitoring and

					performance.
2021	Bochaberi and Job	Mobile banking and financial performance of selected commercial banks in Kenya	Descriptive research design	To examine the role of mobile banking on performance of commercial banks	Versatile financial impacts the monetary presentation of the four business banks in Kenya that portable banking is dependable to clients, empowers the bank to come to the most unbanked individuals, is protected and reasonable, it is effective and expands the quantity of exchanges in business banks.
2020	Kori, Muathe, and Maina,	Financial and Non-Financial Measures in Evaluating Performance: The Role of Strategic Intelligence in the Context of Commercial Banks in Kenya	Descriptive statistics and linear multiple regression analysis	To provides comprehensive discussion on role of strategic intelligence in commercial banks, in Kenyan context	Based on a balanced scorecard, Kenya's commercial bank ought to align its training focus and strategy implementation with investors' interests.
2020	Ndungu and Bosire	Determinants of financial performance of commercial banks listed at nse in Kenya.	Descriptive study design	To establish the determinants of financial performance of NSE listed	According to the findings, 85.7% of commercial banks' financial performance could be attributed to the allocation of funds

				commercial banks in Kenya	to various assets. There was a strong positive correlation (r=0.926) between funds allocation and financial performance. should be carried out on additional variables like changes in interest rates, exchange rates, and inflation.
2020	Nalianya, & Miroga,	Determinants of financial performance of commercial banks in Kenya: Case of listed banks on the Nairobi Securities Exchange (NSE)	Descriptive research design, Descriptive analysis, correlation analysis and regression analysis were used to perform the data analysi	To examine the determinants affecting financial performance of listed commercial banks in Kenya with specific objectives on the effect of liquidity, capital adequacy, operational expense and leverage on performance of banks in Kenya	The financial performance of Kenya's listed commercial banks was significantly influenced by all independent variables, including liquidity, capital adequacy, operational expenses, and leverage. Managers of Kenya's listed commercial banks should pursue an aggressive credit policy to maximize the use of debt in capital spending activity in order to improve the firm's financial performance.

			s		
2018	Mwangi	The Effect of Size on Financial Performance of Commercial Banks in Kenya	Regression analysis is used	To establish the effect size has on the profitability of commercial banks in Kenya.	shareholders and managers could also adopt growth strategies (internally generated, fund raising, or mergers and acquisitions) that are geared toward increasing the size of commercial banks.
2018	Akanbi and Adewoye	Effects of Accounting Information System Adoption on the Financial Performance of Commercial Bank in Nigeria	Cronbach's alpha test	To examine various innovations to which their services are been performance effectively with financial improvement.	Business banks in Nigeria embraced and use AIS in offering their types of assistance to their clients and the degree of use is generally high, AIS reception has a positive huge with all the exhibition markers (ROCE, ROTA, GPM and NOP) with α
2018	Yusuf M. and Surjaatmadja S.	Analysis of Financial Performance on Profitability with Non Performance Financing as Variable Moderation (Study at Sharia	Multiple linear regression analysis	To determine the effect of capital adequacy ratio (CAR) and financing to deposit ratio (FCRR) on profitability	BOPO has a significant negative impact on profitability, while CAR and FCRR have a significant positive impact. While the NPF affects the connection between Vehicle with productivity and the connection between

		Commercial Bank in Indonesia Period 2012–2016)		(proxies with return on assets [ROA]) with non performing financing (NPF) as a moderation variable	FCRR with benefit, while the NPF affects the connection between BOPO with benefit
2018	Robin I.,Salim R.and Bloch H.	Financial performance of commercial banks in the post-reform era: Further evidence from Bangladesh	regression analysis	To Examine the financial performance of the commercial banks in Bangladesh in terms of profitability measures before, during and after a period of financial liberalization	The banks' return on asset (ROA) and return on equity (ROE) have not been significantly affected by financial reform; however, the net interest margin (NIM) has increased capital strength, and asset quality is the primary driver of profitability. In this way, a suitable financial strategy pointed toward raising capital base and resource quality is crucial for guaranteeing a reasonable financial area in Bangladesh

2.2.2 Review of National Articles

Shrestha (2023) conducted a research on Impact of firm-specific factors on the financial performance of Nepalese microfinance institutions. The purpose of this paper is to

examine how the financial performance of Nepalese microfinance institutions (MFIs) is affected by firm-specific factors. The descriptive and causal comparative research design was used in this paper. The annual panel data for 29 Nepal Stock Exchange-listed microfinance companies from 2010/11 to 2020/21 was used. An appropriate multivariate regression model is chosen based on the results of the Hausman test and the Breusch and Pagan Lagrangian multiplier test in order to determine the effect that firm-specific factors have on the financial performance of Nepalese MFIs. This study found that Nepalese MFIs' financial performance was significantly influenced by firm-specific factors using the fixed effect regression model. Further, this study tracked down a huge positive effect on store proportion, the executive's productivity, and weighted normal loan cost spread and a critical adverse consequence of resource quality on the monetary execution of Nepalese MFIs. The paper came to the conclusion that increasing the deposit ratio, management efficiency, and weighted average interest rate spread could improve the financial performance of Nepalese MFIs. Then again, the concentrate likewise inferred that Nepalese MFIs ought to keep a lower level of non-performing credits to accomplish a more significant level of monetary execution.

Dhungana and Ranabhat (2022) analyzed on impact of microcredit on micro-enterprise development: A case of Gandaki province of Nepal. This study looks at how microcredit affects the growth of small businesses in Nepal's Gandaki Province. A structured questionnaire is used to collect the information from clients of microfinance institutions who have been there for at least five years. The purpose of the explanatory research design is to determine how a microfinance intervention affects the growth of microenterprises. The investigation discovers that microfinance mediation has rolled out critical improvements in miniature business and undertaking advancement with the assistance of microcredit. According to the findings of the regression, microcredit has contributed to the expansion of microbusinesses as well as the creation of employment by increasing their investment, revenue, and profits. Legitimate use of microcredit is basic to the achievement and supportability of microcredit undertakings.

Kunwar (2022) conducted a research on financial sustainability of microfinance institutions in Nepal. The essential part of microfinance manageability is without a doubt the monetary supportability of microfinance establishments. The study uses primary data from 250 participants and distributed a questionnaire. It alludes to a MFI's ability to back

its costs out of everything own working pay (Thapa et al., 1992), free of outside help or monetary help. Dunford (2003) further characterizes monetary supportability as the ability to keep seeking after microfinance objectives without any continuous benefactor subsidizing. These definitions focus primarily on the capacity for self-reliance. The definitions likewise recommend that the microfinance tasks might produce a benefit.

Jha and Hui (2022) examined on a Comparison of financial performance of microfinance institutions: A case study of Nepal. The target of this study was to analyze the monetary exhibition of various proprietorship organized microfinance establishments in Nepal in view of their monetary attributes and distinguish the determinants of execution uncovered by the monetary proportions, which depended on CAMEL Model. The finances of 18 microfinance institutions from 2005 to 2010 were examined. Moreover, econometric model (multivariate relapse investigation) by figuring out two relapse models was utilized to gauge the effect of capital ampleness proportion, non-performing advance proportion, premium costs to add up to credit, net revenue edge proportion and credit to store proportion on the monetary benefit in particular profit from resources and return on value of these banks. The findings indicate that domestic private banks are just as efficient as foreign-owned (joint venture) banks, despite the fact that public sector banks are significantly less efficient than their counterparts. The estimation results also show that the capital adequacy ratio had a significant impact on return on equity, while net interest margin, interest expenses to total loan, and return on assets all had a significant impact.

Bahadur and Bhandari (2021) analyzed the microfinance institutions: instrumental for promoting financial inclusion. This assessment paper gives an overall outline of microfinance microcredit which is viewed as one the significant program to limit the neediness, ladies strengthening and to financially comprehensive society. There are number of achievement and disappointment stories generally from Africa, Asia, and Latin America; nonetheless, the microfinance is worldwide plan of contemporary world. Based auxiliary sources, and own insight, the paper gives the overall outline of microcredit, its prosperity, the hindrances of microfinance and blueprints extremely concise instances of Nepal and Bangladesh. Lastly, paper gives a short suggestion on how microcredit can find true success particularly to the creating scene.

Shrestha (2020) investigated on impact of Covid-19 on microfinance institutions of Nepal. This paper means to survey the effect of Coronavirus pandemic on microfinance establishments in Nepal in light of the information announced by them according to the administrative prerequisite. Appraisal is finished by assessing the progressions in some major monetary pointer like saving, credits, non-performing advances, productivity, change in the quantity of workers and borrowers among others after the burden of lockdown estimates by the Public authority to contain the spread of Covid. According to a review of the data for the time period from mid-March 2020 to mid-July 2020, the lockdown measures have had a significant impact on microfinance institutions. In any case, with the assistance of NRB strategy arrangements and some level of flexibility, they figured out how to get by during the audit time frame. The increasing number of borrowers who are behind on payments is evidence that there are still downside risks despite the fact that the spread of Covid-19 has not yet finished. To get through these trying times, we need concrete, creative, and team-based solutions.

Gautam (2020) conducted a research on financial performance analysis of Nepalese financial institutions in the framework of CAMEL. In today's world, managers who want to maintain a competitive advantage in the face of rapid technological advancement, increased awareness, and difficult demands from customers and business owners must have access to an accounting information system. This study looks to assess the impact of Bookkeeping Data Framework on Monetary Execution of Firms, utilizing a survey of observational writing approach. The study's exploratory research design leads it to the conclusion that the ability of businesses to develop and use computerized systems to track and record financial transactions, which enables management decision-making, internal controls, and the quality of the financial report, has had the greatest impact on accounting. As a result, the study suggests that accounting information systems should continue to be a primary focus in every company in order to maintain productivity and effective performance.

Shrestha (2020) examined on changing dimension of financial inclusion in Nepal: A comparative analysis. Financial inclusion is necessary for inclusive growth, which is required to reduce economic inequality and poverty. This paper means to break down changes in different components of monetary consideration in Nepal after some time and contrast it and other South Asian nations in light of the accessible optional information.

Financial inclusion in Nepal has been improving satisfactorily over time thanks to various policy initiatives that have been implemented in the past. Nepal, on the other hand, lags far behind some South Asian nations like India and Sri Lanka in many areas of financial inclusion. Nepal has deficient and inconsistent access and extremely low use, especially utilization of credit, demonstrating far ahead to make monetary framework more comprehensive. By using present day innovation and embracing as well as executing comprehensive strategies, admittance to back must be expanded comprehensively. Further, by making mindfulness and expanding the advantages, the use of formal monetary administrations ought to be expanded for significant monetary incorporation.

Oli (2018) researched on impact of microfinance institutions on economic growth of Nepal. This study analyzes the effect of microfinance establishments on financial development of Nepal. The dependent variables are per capita income and gross domestic product. The total number of employees, total number of members, credit for microenterprises, total assets, total loan, total deposit, inflation, and broad money supply are the independent variables. The data used in the study come from secondary sources. The information have been gathered for the time of 2012/13 to 2016/17 from 24 microfinance foundations prompting a sum of 120 perceptions. The information are gathered from Bank Management Report, Quarterly Monetary Notice distributed by Nepal Rastra Bank and Financial Overview 2016/17 distributed by Service of Money. The numerous relapse models are assessed to test the importance and effect of microfinance establishments on monetary development of Nepal.

The review shows that the all-out number of staffs, complete number of individuals, proportion of microenterprises credit, all out resources, all out advance, absolute store and expansive cash supply development are emphatically connected with financial development. It suggests that economic expansion would be accompanied by a greater number of staff and members at microfinance institutions. The findings also demonstrate that economic expansion is accompanied by an increase in total assets and loans. In a similar vein, the study demonstrates that economic expansion is inversely proportional to the total amount of deposits. Essentially, the review shows that higher the cash supply, higher would be the financial development. Nonetheless, result shows that there is a negative connection among expansion and monetary development in Nepal. This suggests that economic expansion would be stifled by higher inflation.

Simkhada (2017) conducted a research on Indicator for measuring performance of financial cooperatives in Nepal. A comprehensive institutional assessment tool aids in the evaluation of an organization's performance and the implementation of appropriate performance-enhancing strategies. For assessing performance, different organizations have different indicators and criteria. The performance of financial institutions has been measured using various tools like PEARLS and CAMEL. The Nepali cooperative sector does not use these tools because they were developed in different settings. The target of this paper is to distinguish and suggest various markers for estimating execution of monetary cooperatives in Nepal. Master meetings and center gathering conversations were applied to investigate the pointers for execution evaluation. 210 cooperatives were selected at random to test the identified indicators. According to the findings, in order to evaluate the performance of financial cooperatives in Nepal and elsewhere, 32 financial ratios covering eight performance measurement dimensions and 25 self-governance-related indicators are required. The study's limitations are highlighted as well as the implications of the findings.

2.3 Research Gap

In this study, the sample microfinance's financial performance is measured using a variety of ratios, trend analysis, and other statistical and financial tools, and survey data is analyzed using financial tools. Despite the fact that the researcher only used data from nine fiscal years, all of the data are accurate and current. Clearly, these are the problems in Nepalese microfinance, but the previous researcher was unable to provide the current data. The purpose of this study is to define financial. The fundamental understanding and knowledge needed to make this study meaningful and useful has been enhanced by the above-mentioned literature review. Microfinance's lending practices, credit policies, financial performance, credit management, and liquidity mobilization are the subjects of numerous studies. To play out those investigation analysts have utilized different proportion examination. Limit ratios, which are incapable of solving problems, have been the focus of the researcher's prior research on financial performance. Different ratios are systematically analyzed and generalized in this study. Past researchers have not conducted adequate analyses of the investment aspect, fund mobilization, and profitability implications. The proportions are not classified commonly. All ratios are grouped in this study according to their location and nature.

Since the researcher used data from only nine fiscal years, the previous researcher only used data from one year, but all of the data are accurate and current. Clearly, these are the problems in Nepalese microfinance, but the previous researcher was unable to provide the current data. The liquidity ratio, asset management, activity, profitability, credit risk, and other ratios, as well as various statistical tools like the coefficient of correlation and trend analysis, are used in this study to try to define financial performance. In the field of financial institution performance, this will probably be the appropriate study.

CHAPTER - III
RESEARCH METHODOLOGY

The study's methodology is explained in this chapter. The systematic collection, recording, analysis, interpretation, and reporting of information about various facts of the phenomenon under study is known as research methodology. This method is used to find a solution to a problem. The methods and procedures used throughout the study are described in this study's research methodology. The research design, sample and population, data sources, and data analysis approach are all covered in this chapter.

3.1 Research Design

The specification of the methods and procedures for acquiring the required data is known as the research design. This study employs a descriptive and casual research design, with the objective of measuring, comparing, and categorizing the characteristics of the banks' independent variables, or dependent variables that influence profitability. In a similar vein, the casual comparative research design seeks to discover connections between independent and dependent variables following the occurrence of an action or event.

3.2 Population and Sample

This study's population includes all 63 microfinance institutions in Nepal (www.nrb.org.np) till July 2023. Out of the all-out microfinance organizations, 4 microfinance organizations specifically First Microfinance Laghubitta Bittiya Sanstha Restricted, Sana Kisan Bikas Laghubitta Bittiya Sanstha Restricted, Provincial Microfinance Improvement Center Restricted and RSDC Laghubitta Bittiya Sanstha Restricted are chosen as test for the review. Due to the availability of data, the convenience sampling method is used to select the sample. The current review embrace for a time of recent years from financial year 2070/71 to 2078/79.

RMDC Laghubitta Bittiya Sanstha Limited (RMDC)

The RMDC Laghubitta Bittiya Sanstha Ltd. Nepal's wholesale lending organization was formerly known as "Rural Microfinance Development Centre Ltd." It was enrolled on 30 October 1998 under the then 'Organization Act, 1996' as a public restricted organization with the command to work as a discount loaning association inside the structure of the

then 'Improvement Bank Act, 1995'. RMDC was reregistered under the ongoing bound together financial regulation, the 'Bank and Monetary Organization Act (BFIA), 2006' as a class 'D' monetary foundation. RMDC started its loaning activity from January 2000. The primary capability of RMDC is discount loaning to MFIs. Moreover, it has been stretching out institutional limit building supports to MFIs. RMDC is currently one of the country's most well-known wholesale lending institutions for MFIs. Its accomplices' effort shares almost 70% of the whole microfinance industry's business in the country with 30% for overall population. Arise as a monetarily reasonable, functionally feasible and expertly effective establishment for discount loaning to microfinance organizations in Nepal.

Vision: Arise as a monetarily reasonable, functionally feasible and expertly effective establishment for discount loaning to microfinance organizations in Nepal.

Mission: Providing appropriate microfinance services to the greatest number of disadvantaged and poor households in order to help them realize their untapped potential for development through the partner MFIs.

Goal: Serve more than 2 million unfortunate families the nation over with quality microfinance administrations through north of 335 accomplice associations (POs) by mid July 2019.

Capital Structure: Approved settled up capital is Rs.1563743572

Objectives: The majority of the poor, those without land, and those without assets lack access to institutional microfinance services for productive businesses and self-employment, which is the primary goal of RMDC. The particular goals of RMDC are: To give discount assets to microfinance advancement banks, cooperatives and monetary mediator NGOs with security or without guarantee for on loaning to the unfortunate families and denied area of Nepal. to develop, expand, promote, and enhance the microfinance market as well as to provide financial and technical support for MFIs' institutional development and human resource development. to evaluate and monitor partner MFIs' operational activities. Through MFIs, to provide financial resources, technical and management consulting services, training, and a system for the establishment, operation, enhancement, and promotion of productive and employment-oriented businesses in both urban and rural areas.

(www.rmdc. com.np).

Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd. (SKBBL)

Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd. (SKBBL) was laid out on July 6, 2001, getting enlisted under the then Organization Act. It has a permit as a "D" class public level discount loaning microfinance establishment from the National Bank of Nepal as per the then Bank and Monetary Foundation Act (BAFIA). SKBBL is one of the conviction that neediness can be relieved by making and supporting local area based feasible cooperatives claimed and oversaw by smallholder ranchers themselves at the neighborhood level. It does SFACL replication projects to increment outreach in unbanked and troublesome regions. SKBBL incorporates proprietorship construction of little rancher improvement microfinance monetary establishment Ltd. (SFACLs) i.e., 43.63% and 44%, 'A' class authorized foundation for example 26.25 percent and 26 percent, similar to the general public, i.e. 30.11% and 30%.

Vision: To be a leading wholesale microfinance institution that is financially stable and mostly owned by SFACLs and works to strengthen rural communities by aligning with partner cooperatives.

Mission: To offer quality monetary administrations alongside specialized help to poor people, little ranchers, little medium business visionaries in a joint effort with energetic and feasible accomplice cooperatives.

Values: Transparency, accountability, adherence to the law, responsiveness, equity and inclusion, efficiency, value for money in service delivery, and participation Sustainability.

Capital Structure: Approved settled up capital is Rs.1564413000

Objectives: In order to lend to low-income households and agribusinesses, provide wholesale financing to SFACLs and other cooperatives. To ensure compliance with regulations, monitor and supervise partner cooperative activities. Provide TA for SFACLs and other partner cooperatives' institutional development and capacity building (www.skbbl.com.np).

First Microfinance Laghubitta Bittiya Sanstha Limited

First Microfinance Laghu Bitta Bittiya Sanstha Ltd. begun its activity from January 8, 2010 (B.S. 2066 Poush 24) is a national level microfinance Laghu Bitta Bittiya Sanstha Ltd. licensed by Nepal Rastra Bank in accordance with the Bank and Financial Institution Act of 2073 in Kathmandu. First Microfinance gives microfinance administrations to the monetarily and socially distraught and denied individuals through MFIs. First Microfinance intends to zero in on further developing job of target individuals with need

to horticulture and miniature ventures. Additionally, First Microfinance is dedicated to advancing sustainable microfinance services in Nepal. First Microfinance gives discount miniature credit to microfinance establishments (MFIs) in Nepal. First Microfinance has approved, gave and settled up capital of Rs. 964,5 million The promoters' share is 51%, while the public share is 49%. Significant advertiser investors of First Microfinance incorporates Worldwide IME Bank, Prabhu Bank, Kumari Bank, Rastriya Banijya Bank, ICFC Money, eminent brokers, contracted bookkeepers, presumed finance managers and experts. Solid expert financial foundation and great public connection of the advertisers is taken as strength of First Microfinance.

Vision: By providing resources, providing low-income individuals with opportunities.
Mission: Enabling individuals through admittance to fund.
Values: Professionalism, innovation, integrity, and sustainability
Shareholders: Significant advertiser investors of First Microfinance incorporates Worldwide IME Bank, Prabhu Bank, Kumari Bank, Rastriya Banijya Bank, ICFC Money, eminent brokers, contracted bookkeepers, presumed finance managers and experts. First Microfinance's strength is attributed to the promoters' strong public image and professional banking background.

RSDC Laghubitta Bittiya Sanstha Limited

The Non-Governmental Organization (NGO) Rural Self-reliance Development Centre (RSDC), which strives to bring about a society that is "self-reliant" and "self-dependent," had the initial idea of establishing a truly inclusive and extensive financial institution. In 12 districts, the Rural Self-reliance Development Centre (RSDC) had already set up and promoted 171 cooperatives known as Swawalamban Sahakari. The RSDC was of the firm belief that consolidating local institutions—mostly cooperatives—can meet local financial needs and boost economic activity. As expected, Provincial Independence Improvement Center, prevailed to satisfy nearby monetary requests and animate financial exercises somewhat, yet not long from now, those cooperatives went to not be able to offer the necessary monetary help to rustic individuals, due to the absence of the adequate asset. In country cooperatives, interest for advance was extremely high in contrast with their store gathering capacity. The very first prototype of RSDC Laghubitta Bittiya Sanstha Ltd. was conceived by the Rural Self-reliance Development Centre as a way to provide financial support to rural cooperatives, primarily Swawalamban Sahkari. (RSDCMF). In 12

districts, the Rural Self-reliance Development Centre (RSDC) had already established and promoted 171 Swawalamban Sahakari cooperatives. Advertisers of RSDCMF hold 60% of its capital, though rest 40% has been dispensed to public as normal offers. Significant advertisers of RSDCMF are Country Independence Advancement Center, Kathmandu (RSDC-12.14%) and afterward Lumbini Bank (Presently Worldwide IME Bank Ltd.-12%) alongside individual financial backers (35.86%) across different regions of the country. At present capital construction of RSDC for example Approved capital is NPR1000 Million, Gave capital is NPR 869.568 Million and settled up capital is 869.568 Million.

Mission: strengthening economically disadvantaged rural communities through the promotion, empowerment, and growth of local institutions.

Vision: Creation of a society that is both self-sufficient and dependent.

Goal: To establish such a climate where country denied networks will actually want to satisfy their monetary necessities from their own organizations.

Values: Cooperation, Proficiency, Client Care, Consistence, Dependable (www.rsdc.com.np)

3.3 Nature and Sources of Data

Satisfactory data are expected for the exploration study from the various sources. The primary undertaking of the scientist is to gather data and information from the various sources. Therefore, the data sources are necessary for achieving the desired goals. Data can be primary or secondary based on their sources by nature. The majority of the secondary data used in this study come from the relevant publication from various publishers. The selected microfinance organizations' financial information for the previous nine years can be downloaded from their respective websites. Various books from library, periodicals, papers, organizations, magazines will likewise be utilized at whatever point required. Since this study is, of course, concerned with rapid phenomena, the entire calculation is based solely on secondary data.

3.4 Data Procedures

To get the goal of this study different data has been gathered from microfinance, like yearly reports, papers and announcements. This study also utilized information from NRB websites, in addition to various NRB publications, unpublished periodicals,

magazines, and dissertations. A large portion of the information utilized in this study are from optional wellsprings of information. Different information got through various sources can't be utilized straightforwardly for the examination in their unique structure. Thus, they have been reviewed, rethought, altered and arranged to bring them into fitting structure for the investigation reason.

3.5 Method of Data Analysis

The relative strengths and weaknesses of the performance of First Microfinance Laghubitta Bittiya Sanstha Limited, Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited, Rural Microfinance Development Center Limited, and RSDC Laghubitta Bittiya Sanstha Limited are determined and analyzed using a variety of financial tools, statistical tools, and techniques. The following statistical tools were utilized in this study:

3.5.1 Financial Tool

Dividend payout ratio (DPR)

The dividend payout percentage of a company's profits is known as the D/P ratio. This proportion reflects level of benefit is conveyed as profit and which level of benefit is stayed as converse and surplus for the development of the organization. It is determined by dividing DPR by Total Assets.

$$\text{DPR Ratio} = \frac{\text{Dividend per share}}{\text{Earning per shares}}$$

Total Assets (TA)

The bank's size is determined by its total assets. A bank's assets are resources. The cash balance, bank balance, money at call, investment, share, and other investments, loans and advances, purchased bills, fixed assets, and other assets are the assets of microfinance institutions. Hence all out resources of a bank is the whole of the relative multitude of long haul and current resources claimed by the bank. An ongoing resource is a resource that can be sold in something like a year, while long haul resources are those resources that are exchanged in over a year. It should be noted that a bank's total liabilities include the customer deposits it holds.

Cash Reserve Ratio (CRR)

Nepal Rastra Bank (NRB), the national bank, is the administrative body of all the microfinance establishments. The National Reserve Board (NRB) has mandated that microfinance institutions keep a certain percentage of their total deposit as a reserve in order to facilitate their smooth operation. This is done specifically to maintain the liquidity position's strength of microfinance institutions. The following formula is used to determine this ratio:

$$\text{Cash Reserve Ratios} = \frac{\text{Balance with NRB}}{\text{Total Deposit}}$$

Price earnings ratio (P/E Ratio)

This proportion mirrors the cost right now paid by the market for every rupee of current detailed All out Resources (TA). Potential investors will also find it extremely helpful. It is calculated by dividing the total assets by the market value share (MVPS).

$$\text{Price earnings Ratio} = \frac{\text{MVPS}}{\text{EPS}}$$

Return on Assets (ROA)

According to Getahun (2015), this is probably the single most significant ratio when comparing the efficiency and operating performance of banks because it indicates the returns generated by the assets that the bank owns. ROA can be determined as:

Return on Assets=Net Income/Total assets

Return on Equity (ROE)

A financial metric called Return on Equity (ROE) measures a company's efficiency in relation to its shareholders' equity. According to Getahun (2015), ROE is regarded as a very important metric because it reflects the productivity of the bank's ownership (or risk) capital. ROE can be determined as follows:

ROE= Net Income /Total Equity

3.5.2 Statistical Tools

In the current review, certain factual devices have been utilized to look at the Figures and make one significant determination there from. The statistical tools have been briefly described in this section.

Mean

The most famous and broadly utilized proportion of addressing the whole information by one variable is the number-crunching mean. It is determined by dividing the total number of items by the sum of all of them. The various variables' mean values indicate the typical value over the course of the investigation.

$$\text{Mean } (\bar{X}) = \frac{\Sigma x}{n}$$

Where,

$\bar{X}$= Sum of the variables 'x'

N = No. of Observation

Standard deviation

Scattering is the level of the variety of the singular things about a focal worth. The absolute dispersion is measured by the standard deviation. The more prominent how much scattering more prominent the standard deviation. The little standard deviations mean a serious level of consistency of the perception as well as homogeneity of a series as well as the other way around. The total assets, dividend payout ratio, retained earnings, market value per share, dividend yield ratio, and price earnings ratio all had their standard deviations calculated in this study.

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Correlation analysis

Relationship investigation is the measurable instruments that can be utilized to depict the degree which one variable is almost connected with another. The present study employs simple correlation. Relationship co-effective between the accompanying monetary factors has been determined and introduced in lattice structure and there by deciphered completely.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma xy - \Sigma x\Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2}\sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

r = 0 implies that the factors are corresponded lies between - 1 and +1 r = - 1 suggests that there is an ideal negative connection between's the factors r = +1 infers that there is an ideal positive connection between's the factors

Coefficient of determination (r^2)

A measure of the degree of liner association or correlation between two variables, one of which is an independent variable and the other a dependent variable, is the coefficient of determination. To put it another way, r measures the total variation in dependent variables as a percentage. The coefficient of assurance worth can have going from zero to one. If the unexpected variation is zero, then a value or one can only occur if all of the data points in the scatter diagram are exactly on the regression line.

Regression analysis

Although regression analysis reveals the movement's direction, it does not reveal the relative movement of the variables under investigation. Understanding the relative movement of the variables is made easier with regression analysis. The following variable, -, has been calculated and analyzed using regression.

Numerous relapse examination is a factual device, which works with in assessing or foreseeing the worth of ward variable from the worth of free factor. In this review, ROA and ROE are reliant variable and DPR, TA, CRR and P/E proportion are considered as autonomous factors. The least squares, standard errors of estimation, and multiple coefficients of determination are typically calculated for this purpose in multiple regression analysis. The equation for multiple regression is

Model 1: $ROA = \alpha + \beta_1 DPR + \beta_2 CRR + \beta_3 TA + \beta_4 P/E$

Model 2: $ROE = \alpha + \beta_1 DPR + \beta_2 CRR + \beta_3 TA + \beta_4 P/E$

Where in model 1,

α represents the value of ROA when DPR, CRR, TA and P/E ratio are zero.

DPR=dividend payout ratio

CRR = Cash reserve ratio

P/E = Price Earnings ratio

TA = Total Assets

β_1, β_2, β_3 and β_4 represent the regression coefficients of DPR, CRR, TA and P/E ratio respectively.

3.6 Research Framework

Research structure is a reasonable model that shows the relationship among the few factors that have been recognized as essential to the issue. After conducting a literature review, defining the issues, and conducting an interview with the relevant party, it is prepared. It presents sensibly to the past examination results and creates logical base connecting with the presumptions with speculations. It presents the connection among Autonomous and subordinate factors. Research structure distinguish the factors Expresses the relationship of at least two factors and shows the reasons of expecting such relationship Exploration system is fundamental while undertaking research.

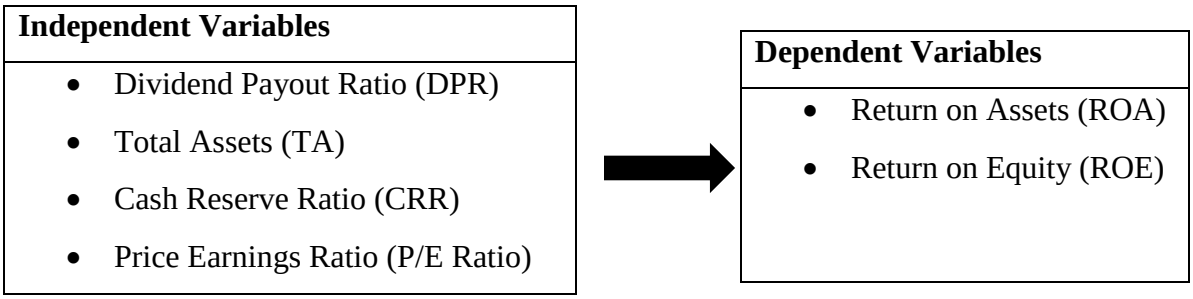

Figure 1

Research framework

3.7 Description of Variables

Dividend payout ratio (DPR Ratio)

The dividend payout percentage of a company's profits is known as the D/P ratio. This proportion reflects level of benefit is conveyed as profit and which level of benefit is stayed as converse and surplus for the development of the organization. It is calculated by dividing the total assets by the DPR (Malik & Rafique, 2013).

Total Assets

The bank's size is determined by its total assets. A bank's assets are resources. The cash balance, bank balance, money at call, investment, share, and other investments, loans and

advances, purchased bills, fixed assets, and other assets are the assets of microfinance institutions. Hence all out resources of a bank is the whole of the relative multitude of long haul and current resources claimed by the bank. An ongoing resource is a resource that can be sold in something like a year, while long haul resources are those resources that are exchanged in over a year. It should be noted that a bank's total liabilities include the customer deposits it holds (Cull, 2017).

Cash Reserve Ratio (CRR)

Nepal Rastra Bank (NRB), the national bank, is the administrative body of all the microfinance establishments. The National Reserve Board (NRB) has mandated that microfinance institutions keep a certain percentage of their total deposit as a reserve in order to facilitate their smooth operation. This is done specifically to maintain the liquidity position's strength of microfinance institutions (Gofwan, 2022).

Price earnings ratio (P/E Ratio)

This proportion mirrors the cost right now paid by the market for every rupee of current revealed Complete Resources (Absolute Resources). Potential investors will also find it extremely helpful. It is calculated by dividing the total assets by the market value share (MVPS) (Ganyam & Ivungu, 2019).

Return on Assets

This is likely the main single proportion in contrasting the effectiveness and working execution of banks as it demonstrates the profits created from the resources that bank claims (Idama et al., 2014).

Return on Equity

A financial metric called Return on Equity (ROE) measures a company's efficiency in relation to its shareholders' equity. ROE is viewed as a vital measure since it mirrors the efficiency of the possession (or hazard) capital utilized in the bank (Idama et al., 2014).

CHAPTER – IV

RESULTS AND DISCUSSIONS

In this chapter, the data are presented and analyzed in a systematic manner. Annual reports are the only places where these additional data were discovered. Following the review approach shrouded in the third section, the procured information are introduced, assessed, and deciphered in this part. The dividend policy of microfinance companies' pertinent information and data are presented and compared.

4.1 Descriptive Statistics of Variables

Table 2 contains the descriptive statistics for the variables that were used in the study. The outcome shows that the base and limit of execution measure as far as productivity pointers ROE and ROA alongside other autonomous factors (Profit payout proportion, All out Resources, Album proportion, Money save proportion and Value Profit Proportion of microfinance organizations in Nepal.

Table 2

Descriptive Statistics of Variable of Microfinance companies

Variables	N	Minimum	Maximum	Mean	Std. Deviation	C.V
Dependent Variables						
ROA	36	0.02	4.3	1.549	1.00358	0.65
ROE	36	0	29.02	12.4671	8.31278	0.67
Independent Variables						
DPR	36	0	1.58	0.6208	0.37792	0.61
Total Assets	36	5.76	10.33	8.6147	1.0873	0.13
CRR	36	0	0.79	0.4044	0.26323	0.65
PER	36	0	198.38	38.8251	34.6203	0.89

Source Appendix II & Annual Report of Sample Companies

The descriptive table of the variables is presented in Table 2. ROA, ROE, DPR, Total Assets, CRR, and PER are the five variables that are discussed in the table. The average value of each variable is shown by the "Mean." For example, the typical ROA and ROE is 1.5490 and 12.4671. In a similar vein, the average values of DPR, total assets, CRR, and PER are respectively 38.8251, 0.6208, 8.6147, and 0.4044. The "Most extreme" demonstrates the most noteworthy worth noticed for every variable. For instance, among

the microfinance businesses under investigation, the highest ROA and ROE are 4.30 and 29.02, respectively. In like manner, the most extreme worth of DPR, absolute resources, CRR and PER are 65.00, 1.61, 44.21 and 2535.00.

The "Minimum value" shows the most minimal worth noticed for every variable. For example, the base all out resources is 5.76, demonstrating the least absolute resources among the chose microfinance organizations.

The "Standard Deviation." The spread or dispersion of data points around the mean is measured by (Std. Dev.). It gives data about the inconstancy of the information. ROA, ROE, DPR, total assets, CRR, and PER, for instance, have standard deviations of 1.00358, 8.31278, 0.37792, 1.0873, 0.26323, and 34.6203, respectively.

The coefficient of variety (CV) is characterized as the proportion of the standard deviation to the mean. The stationary CV seen in log-normally distributed measurements contrasts with the varying SD seen in measurements with an expected value. For instance, the uniformity and consistency of ROA and ROE are exemplified by their coefficients of variation of 0.65 and 0.67, respectively. Similarly, the coefficient of variety of DPR, Complete Resources, CRR and PER are 0.61, 0.13, 0.65 and 0.89 individually.

4.2 Correlation Analysis

A table with correlation coefficients between variables is called a correlation matrix. The correlation between two variables that are comparable is displayed in each cell of the table. A connection framework is utilized as a method for summing up information.

This permits us a look of which factors have relationship in which level of solidarity and importance. Connection coefficient between two factors goes from +1 (for example amazing positive relationship) to - 1 (for example amazing negative relationship)

Table 3

Correlation Coefficients of Study Variables

Variables	DPR	TA	CRR	PER	ROA	ROE
Dividend Payout Ratio (DPR)	1					
Total Assets (TA)	-0.234	1				
	0.169					
Cash Reserve Ratio (CRR)	0.082	-0.004	1			
	0.634	0.983				
Price Earnings Ratio (PER)	.384*	-0.145	.350*	1		
	0.023	0.407	0.039			
Return on Assets (ROA)	-0.112	0.131	.802**	0.225	1	
	0.515	0.447	0	0.193		
Return on Equity (ROE)	-0.305	.641**	-0.11	-0.167	-0.045	1
	0.071	0	0.522	0.339	0.795	

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

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

Source SPSS Output

The correlation test using a correlation coefficient matrix between the dependent and independent variables is shown in Table 3. The connection coefficient of profit payout proportion (DPR) with ROA and ROE has low level of negative relationship with coefficient of - 0.112 and - 0.305. At the 0.05 level of significance, DPR has a positive and significant relationship with PER, with a coefficient of 0.384, but a negative and insignificant relationship with TA, with a coefficient of -0.234. Additionally, there is a positive correlation between ROE and TA, CRR, and ROA, as evidenced by the correlation coefficients of 0.641 for total assets (TA) and ROE and 0.802 for ROA. Further, the connection among TA and ROE, CRR and ROA are critical at 1% degree of importance with coefficient of 0.641 and 0.802. At the same time, a coefficient of 0.641 at the 0.05 level of significance indicates that total assets have a significant positive relationship with ROE. Similarly, CRR is decidedly huge with PER of 0.350 at 0.05level of importance. However, PER has a significant negative correlation with ROE of -0.167 and a small positive correlation with ROA of 0.225.

4.3 Regression Analysis

As an independent variable, the relationship between the dependent variables ROA and ROE, Total Assets, Dividend Payout Ratio, and Price Earnings Ratio) is examined. Out of a total population of 63 microfinance businesses licensed by the NRB and observed from 2070/71 to 2079/80, the regression results of ROA on four explanatory variables with

four sample companies listed in the NEPSE are presented in this table. As the risk sign, the figure in parentheses is the t-value, which indicates that the result is significant. Adj. and F. The terms "Adjusted R square" and "F-statistic" are denoted by "R2."

Regression Analysis of TA, DPR, PER and CRR on ROA

Table 4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817a	.667	.624	.61537

a. Predictors: (Constant), total assets, TA, DPR, PER and CRR

b. Dependent Variable: ROA

Here, R^2 address the level of the fluctuation on productivity for example ROA that independent variables have been used to explain. It shows that 66.70% of free factors for example TA, DPR, PER and CRR has made sense of in subordinate variable for example ROA. The changed r^2 is more dependable measurements since it accounts the example size also. The size of the coefficient for free factors gives the size of its impact on subordinate factors. The coefficient's average distance from the regression line is represented by the standard error. Dispersion is measured.

Table 5

ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.512	4	5.878	15.522	.000b
	Residual	11.739	31	.379		
	Total	35.251	35			

a. Dependent Variable: ROA

b. Predictors: (Constant), TA, DPR, PER and CRR

The overall summary and significance of the dependent and independent variables can be seen in the ANOVA table. In this table, it demonstrates that the effect of free factor for example on the dependent variable, i.e., TA, DPR, PER, and CRR A P-value of 0.000, 0.05 indicates that ROA is statistically significant at significance level 0.05. In this way,

acquired p-worth ought to be underneath 5% importance level to close huge connection between these factors.

Table 6

Regression Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Remarks
1	(Constant)	-.615	.915		-.672	.007	Significant
	Dividend Payout Ratio	.014	.313	.005	.046	.964	Insignificant
	Total Assets	.113	.098	.122	1.149	.259	Insignificant
	Cash Reserve Ratio	3.169	.421	.831	7.522	.000	Significant
	Price Earnings ratio	-.003	.003	-.086	-.726	.473	Insignificant

a. Dependent Variable: ROA

Regression analysis output: coefficient

The linear equation of this model is,

$Y = a + b_1X_1+b_2X_2+b_3X_3+b_4X_4$

ROA = -0.615 + 0.014 DPR + 0.113 TA + 3.169 CRR - 0.003 PER

The regression coefficients table shows that the constant's p-value is greater than 0.05, indicating that the constant value is insignificant. The fact that CRR has a p-value of 0.000, 0.05 indicates that it has a significant effect on ROA. The corresponding beta coefficient of 3.169 indicates that ROA values increase by 3.169 units on average for each unit increase in CRR.

Anyway the p-value of DPR, TA and PER has more than 0.05 level of significance which leads to insignificant impact on ROA.

Regression Analysis of TA, DPR, PER and CRR on ROE

Out of the total population of 63 microfinance companies licensed by the NRB with observations for the years 2070/71 to 2078/79, the results of the regression of ROE on five explanatory variables with four sample microfinance companies listed in the NEPSE are presented in this table. ROE is the dependent variable. The total assets, DPR, PER, and CRR are the independent variables. The terms Total Assets, Dividend Payout Ratio (DPR), Price Earnings Ratio (PER), Cash Reserve Ratio (CRR), and Return on Equity (ROE) are all used interchangeably. As the risk sign, the figure in parentheses is the t-

value, which indicates that the result is significant. Adj. and F. The terms "Adjusted R square" and "F-statistic" are denoted by "R2."

Table 7

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667a	.445	.373	6.58230

a. Predictors: (Constant), TA, DPR, PER and CRR

b. Dependent Variable: ROE

Here, r^2 address the level of the inconstancy of productivity that can be made sense of by ROE. The changed r2 is more dependable measurements since it accounts the example size also. The size of the coefficient for free factors gives the size of its impact on subordinate factors. The effect's direction is indicated by the coefficient's positive or negative sign. Sexually transmitted disease. Mistake addresses the typical distance that the coefficient tumbles from the relapse line. Dispersion is measured.

Table 8

ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1075.454	4	268.863	6.205	.001b
	Residual	1343.129	31	43.327		
	Total	2418.582	35			

a. Dependent Variable: ROE

b. Predictors: (Constant), TA, DPR, PER and CRR

The overall summary and significance of the dependent and independent variables can be seen in the ANOVA table. In this table, it demonstrates that the effect of free factor for example on the dependent variable, i.e., TA, DPR, PER, and CRR At significance level 0.05, ROE is statistically significant. 0.001. In this way, acquired p-worth ought to be underneath 5% importance level to close huge connection between these factors.

Table 9

Regression Coefficients

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Remarks
1(Constant)	-24.377	9.786		-2.491	.018	Significant
Dividend Payout Ratio	-3.630	3.350	-.159	-1.083	.287	Insignificant
Total Assets	4.670	1.049	.611	4.453	.000	Significant
Cash Reserve Ratio	-2.929	4.507	-.093	-.650	.521	Insignificant
Price Earnings ratio	.003	.037	.014	.090	.929	Insignificant

a. Dependent Variable: ROE

Regression analysis output: coefficient

The linear equation of this model is,

$Y = a + b_1X_1+b_2X_2+b_3X_3+b_4X_4$

ROE = -24.377 – 3.630 DPR + 4.670 TA – 2.929 CRR + 0.003 PER

Table 9 shows that the p-worth of steady is more modest than 0.05 which shows huge consistent worth. The fact that total assets (TA) have a p-value of 0.000, 0.05 indicates that total assets (TA) have a significant effect on ROE. The corresponding beta coefficient is 4.670, indicating that ROE increases by an average of 4.670 units for every unit increase in total assets.

Additionally, DPR, CRR, and PER have p-values greater than 0.05, indicating that their effects on ROE are insignificant.

4.4 Discussions

There are both positive and negative relationships between the sample companies' TA, DPR, PER, CRR, ROA, and ROE, which is the primary objective of the study. It suggests that these businesses are better at managing their overall circumstances. A positive connection between benefit factors is essential for compelling benefit the executives. As a result, additional objective reasoning supported by analysis reveals that total assets, CRR, PER, and DPR generally have negligible effects on ROA and ROE.

Profitability is significantly impacted by total assets, PE ratio, and CRR. ROA is impacted by CRR and TA in a positive however TA is unimportant way which shows reliable with the investigation of Tiwari (2022) yet complete resources is adversely

irrelevant with ROE which is go against with the review and discoveries of Muliani (2023). The impacts of DPR and PER is negative and unimportant. Contrary to the findings of Kori, Muathe, and Maina (2020), the findings of this study contradict the hypothesis that the dividend payout ratio, price earnings ratio, and CRR have a positive but insignificant effect on profitability. These findings are similar to those of Dhungana and Ranabhat (2022).

This research is more in line with the study by Serhii (2023), which demonstrates that profitability factors fluctuate. The efficiency with which the businesses are using their earnings to generate profit is demonstrated by the average profitability over the study period. The connection test shows that profit payout proportion (DPR) has critical positive connection with PER 0.05 and 0.01 degree of importance which support the discoveries of Agaba and Eton (2022) yet bad huge connection with TA and inconsequential connection with ROA and ROE and this discoveries is like the discoveries of Bochaberi and Work and (2021) and Akanbi and Adewoye (2018) however inverse to the discoveries of Robin, Salim, and Bloch (2018) and Yeasin (2022). At the same time, ROE and CDR are significantly correlated positively with total assets. Then, there is immaterial negative connection of DPR with CRR and PER additionally unimportant positive connection with ROA and ROE. In like manner, CRR is additionally emphatically huge with PER and ROA however adversely unimportant with ROE. However, ROA and ROE have no significant relationship with PER, whereas DPR does. Likewise, TA is genuinely huge with ROE at 0.01 degree of importance which is predictable with the investigation of Mwangi (2018).

The negative coefficient of DPR implies that when DPR ascends by one rupee, ROA falls by a similar sum. It recommends that the ROA of Nepalese microfinance firms would be bring down the more noteworthy the DPR. DPR's beta coefficient is negative, whereas TA, CRR, and PER are all positive. It proposes that microfinance organizations would get more cash-flow if their TA, CRR, and PER were higher. Indeed, even at the importance level of 0.10, DPR as a free factor is contrarily related with importance. Be that as it may, TA, CRR, and PER are emphatically irrelevant, affirming the finishes of Akanbi and Adewoye (2018) yet going against the discoveries of Yeasin (2022) and Bochaberi and Work (2021).

ROE decreases when DPR and PER rise by one rupee, as evidenced by their negative coefficients. It recommends that Nepalese microfinance endeavors' ROE would be lower for more noteworthy DPR and lower for PER. Both PER and DPR have negative beta coefficients. It suggests that the higher the DPR and PER, the more profitable microfinance businesses would be. A statistically significant independent variable is one with a p-value of 0.000 for total assets at the 0.05 significance level. However, the findings of DPR, CRR, and PER, which are not statistically significant, are in opposition to the findings of Dhungana and Ranabhat (2022), Kunwar (2022), Agaba and Eton (2022), and Robin, Salim, and Bloch (2018). These findings are not statistically significant.

CHAPTER – V
SUMMARY AND CONCLUSION

This examination endeavors to dissect the non-performing credit the executives of RMDC, SKBL, FIRST and RSDC. Also, their belongings in the presentation of microfinance. The final chapter is this one. It incorporates synopsis, end and suggestions. The study's summary and conclusions are presented in the first section. The implications have been considered when designing the second section.

5.1 Summary

The fundamental reason for this study is to dissect of profit payout proportion, cost income proportion, absolute resources, cash hold proportion, return on resources and return on value of microfinance organizations. Likewise look at the connection between profit payout proportion, cost income proportion, absolute resources, cash save proportion, return on resources and return on value of microfinance organizations and break down the effect of profit payout proportion, cost profit proportion, complete resources and money hold proportion on return on resources and return on value of microfinance organizations. Descriptive and causal comparative research has been carried out in order to accomplish the particular objective of the study. The pattern and status of dividend practices are analyzed using descriptive design. The impact of DPR, PER, TA, and CRR on the ROA and ROE of microfinance businesses in Nepal is measured using a causal research design and an explanatory design. This study utilized auxiliary information. The information are taken from yearly reports of related office for nine back to back year's .for example from 2070/71 to 2078/79.

The focus of the study is on how Nepalese microfinance businesses' profitability is affected by financial indicators. The company's profitability position is quite satisfactory. The company's primary function is to collect dividends on shares and the amount invested. The sampled companies' annual reports serve as the source of the data, which are analyzed using a variety of models such as Pearson correlation, regression, average, and standard deviation, coefficient of variation, correlation, and average. The information are taken from yearly reports of related office for nine continuous year's .for example from 2070/71 to 2078/79. The populace information for this study contains all recorded

63 microfinance organizations, which are presently working in Nepal. First Microfinance Laghubitta Bittiya Sanstha Limited, Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited, Rural Microfinance Development Centre Limited, and RSDC Laghubitta Bittiya Sanstha Limited are the four microfinance organizations in the sample. These microfinance are top four as far as overseeing store into credit and advance in present setting. This study assesses regarding how the microfinance's benefit is impacted by the DPR, PER, TA and CRR during the review time frame with the assistance of different proportions.

5.2 Conclusion

This study examines the effect of financial indicators on profitability using data from four microfinance businesses from 2013/14 to 2021/22 and comes to some significant conclusions.

The results of a correlation analysis show that ROA, ROE, DPR, total assets, CRR, and PER are all connected. The positive and significant impact of total assets on ROE is comparable to Zelalem's (2022) result. In the meantime, DPR has a positive but insignificant ROE result, which is in line with what Abebe found (2022). Due to errors or deficiencies in managing their lending portfolio, some financial institutions struggle to fulfill their obligations to owners and customers and run the risk of becoming insolvent or illiquid.

Profit proportion and save proportion builds the liquidity of monetary organizations, credit extension, development of the monetary exercises overall with direct outcomes on the exhibition of monetary organizations. The complete resources as free factor is genuinely huge with ROE on the grounds that their p-esteem is equivalent to 0.000. DPR, CRR, and PER, on the other hand, are not statistically significant because their p-values are higher than the 0.05 significance level. It is comparable to Shah's research (2019).

Even though it is anticipated that the number of nonperforming loans will rise in the future, the proportion of nonperforming loans to total loans remains high. Additionally, the arrangement against the nonperforming resources made by the bank during the review

time frame has been viewed as very high, showing that the potential uncollectible credits can't antagonistically affect the bank's benefit in future.

5.3 Implication

Some of the implications that result from the above analysis are as follows:

- As private-sector financial institutions, financial institutions cannot ignore the desire for financial gain. In order to maintain the trust of shareholders, depositors, and all customers, they ought to exercise caution when increasing profit in the true sense. RMDC and FIRST benefit position is more regrettable than that of RSDC and SKBL. Therefore, risky assets and the shareholders' fund should be utilized by FIRST and RMDC to achieve the highest profit margin. Likewise, it ought to decrease its costs and ought to attempt to gather less expensive asset being more beneficial.
- It ought to reinforce and actuate its showcasing capability, as it is a powerful device of drawing in and holding clients.
- Cost income proportion disintegrates the exhibition of any monetary organizations. It decreases productivity on account of EPS. The financial sector's funding will rise as a result of this EPS. The DPS of RSDC is expected to rise in the future. Therefore, controlling that trend is preferable.
- Every business ought to have a formal strategy for dividends. In accordance with the requirements for public companies, it should be approved by the General Meeting or the Supervisory Board and made available to the public.
- The sample banks' DPR, PER, and ROE are highly variable. The change ought to be controlled and the consistency in the variable has become generally important. Partners of the two banks would be fulfilled assuming major monetary pointer demonstrates uplifting tones in the market if not in long haul it will be hurtful for bank.
- The dividend payout ratio of RSDC is lower than that of the other sample companies. As a result, FIRST, RMDC, and SKBL have significantly lower credit risk than RSDC, which demonstrates that FIRST, RMDC, and SKBL are performing well or maintaining their dividend perfectly.

- As a result, it is suggested that other sample companies grant loans and advances with greater caution and realism. For loans to be used properly, regular supervision and follow-up should be provided.

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APPENDICES

Appendix I

Essential Information from Respective Microfinance Annual Report

Name	DPR	TA	CRR	PER	ROA	ROE
RSDC	0	5.76	0	0	0.27	0.004
	0	6.3	0	0	1.55	0.02
	0.63	6.64	0.79	0	1.17	0.02
	0.92	6.83	0.76	198.38	1.85	0.02
	1.01	7.47	0.71	53.31	2.13	0.03
	1.58	7.87	0.51	33.97	2.43	0.03
	1.07	8.15	0.54	45.52	2.29	0.03
	0.85	8.29	0.59	69.66	2.29	0.1
	0.84	8.64	0.56	42.3	1.86	0.11
First	0.61	7.36	0.61	31.57	1.65	22.03
	1.01	7.76	0.49	41.27	1.54	14.17
	0.77	8.03	0.48	97.04	1.77	17.65
	0.78	8.24	0.59	50.32	2.12	15.53
	0.85	8.47	0.56	68.81	2.13	12.92
	0.91	8.72	0.59	19.37	2.17	14.52
	0.78	8.75	0.55	31.81	2.21	13.79
	0.57	9.19	0.51	35.41	1.76	15.71
	0.71	9.3	0.54	37.88	2.4	19.13
RMDC	0.96	8.56	0	25.66	0.035	10.89
	0.75	8.67	0	18.75	0.036	11.87
	0.73	8.81	0	50.49	0.028	25
	0.66	8.88	0	25.39	0.03	29.02
	0.56	8.97	0	16.76	0.034	12.33
	0.61	9.12	0	16.05	0.039	14.22
	0.63	9.19	0	22.04	0.03	11.19
	1.13	9.41	0	63.1	0.021	8.35
	0	9.41	0.58	24.32	4.3	16.58
SKBBL	0.32	8.8	0.51	27.58	1.73	13.46
	0.39	9.09	0.52	23.09	1.74	15.6
	0.6	9.39	0.51	56.74	1.86	17.14
	0.5	9.6	0.52	28.56	2.25	20.58
	0.53	9.86	0.5	23.2	2.04	23.53
	0	10	0.5	24.17	1.11	20.23
	0.03	10.1	0.51	21.32	2.28	18.9
	0.03	10.17	0.51	22.31	2.27	17.13
	0.03	10.33	0.52	37.05	2.34	16.98

Source: Annual Report of FMBL, SKBL, RMDC and RSDC

Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
DPR	36	.00	1.58	.6208	.37792
TA	36	5.76	10.33	8.6147	1.08730
CRR	36	.00	.79	.4044	.26323
PER	35	.00	198.38	38.8251	34.62028
ROA	36	.021	4.300	1.54897	1.003585
ROE	36	.004	29.020	12.46706	8.312783
Valid N (listwise)	35				

Appendix II

Correlation Coefficients of Dependent and Independent Variables

Variables	DPR	TA	CRR	PER	ROA	ROE
DPR	1					
TA	-0.234	1				
	0.169					
CRR	0.082	-0.004	1			
	0.634	0.983				
PER	.384*	-0.145	.350*	1		
	0.023	0.407	0.039			
ROA	-0.112	0.131	.802**	0.225	1	
	0.515	0.447	0	0.193		
ROE	-0.305	.641**	-0.11	-0.167	-0.045	1
	0.071	0	0.522	0.339	0.795	

Source: SPSS Output

Appendix III

Regression Analysis of TA, DPR, PER and CRR on ROA

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.817a	.667	.624	.61537

a. Predictors: (Constant), PER, TA, CRR, DPR

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.512	4	5.878	15.522	.000b
	Residual	11.739	31	.379		
	Total	35.251	35			

a. Dependent Variable: ROA

b. Predictors: (Constant), PER, TA, CRR, DPR

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.615	.915		-.672	.007
	DPR	.014	.313	.005	.046	.964
	TA	.113	.098	.122	1.149	.259
	CRR	3.169	.421	.831	7.522	.000
	PER	-.003	.003	-.086	-.726	.473

a. Dependent Variable: ROA

Source: SPSS Output

Regression Analysis of TA, DPR, PER and CRR on ROE

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667a	.445	.373	6.58230

a. Predictors: (Constant), PER, TA, CRR, DPR

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1075.454	4	268.863	6.205	.001b
	Residual	1343.129	31	43.327		
	Total	2418.582	35			

a. Dependent Variable: ROE

b. Predictors: (Constant), PER, TA, CRR, DPR

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-24.377	9.786		-2.491	.018
	DPR	-3.630	3.350	-.159	-1.083	.287
	TA	4.670	1.049	.611	4.453	.000
	CRR	-2.929	4.507	-.093	-.650	.521
	PER	.003	.037	.014	.090	.929

a. Dependent Variable: ROE

Source: SPSS Output

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ABSTRACT Examining the effect of financial indicators on the profitability of Nepali microfinance companies is the aim of this study. The financial institution's management of liquidity must adhere to a decision-making framework for managing liquidity risk, as well as a suitable funding plan, exposure limitations, and a set of guidelines for allocating liquidities in an emergency. The public stake and the day-to-day operations of businesses are both aspects of liquidity. Lack of cash or inadequate liquidity sends a bad message to individuals and corporate entities about the severity of the financial crisis and other issues within the financial institution. It also provides the structure of the terms price earnings ratio (PER), cash reserve ratio (CRR), return on assets (ROA) of microfinance enterprises, total assets (TA), dividend payout ratio (DPR), and price earnings ratio (PER). The experiment variables in this study include the cash reserve ratio, dividend payout ratio, price earnings ratio, total assets, and ROA and ROE as the dependent variables. The secondary data was gathered over a nine-year period, from 2070/71 to 2078/79, from permitted companies' annual reports. Using SPSS version 24, a descriptive, casual,