DETERMINANTS OF BANK VALUE IN NEPALESE COMMERCIAL BANKS

A Dissertation Submitted in Partial Fulfillment of the

Requirement for the Master of Business Studies

By

Madan Rawal

Shanker Dev Campus

Campus Roll No, 3401/075

Symbol No.: 13527/19

Registration No.: 7-2-413-212-2014

Kathmandu, Nepal

April, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Determinants of Bank Value in Nepalese Commercial Banks”. The work of this dissertation has not been submitted previously for the purpose of completion of any degrees. It has been proposed and presented as part of requirements for the 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.

Madan Rawal

REPORT OF RESEARCH COMMITTEE

Mr. Madan Rawal has defended research proposal entitled "Determinants of Bank Value in Nepalese Commercial Banks", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Madhusudan Gautam to submit the thesis for evaluation and viva voce examination.

Madhusudan Gautam
Dissertation Supervisor
Signature: …….

Dissertation Proposal Defended Date

……..…….

Dissertation Submitted Date

……..…….

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Head of Research Department
Signature: …….

Dissertation Viva Voce Date

……..…….

APPROVAL SHEET

We have examined the dissertation entitled "Determinants of Bank Value in Nepalese Commercial Banks" presented by Madan Rawal for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

Madhusudan Gautam
Dissertation Supervisor
Signature: …….

Internal Examiner
Signature: …….

External Examiner
Signature: …….

Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairman, Research Committee
Signature: …….

Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief
Signature: …….

ACKNOWLEDGEMENT

This study entitled “Determinants of Bank Value in Nepalese Commercial Banks” has been conducted to satisfy the partial requirements for the degree of Masters of Business Studies (MBS) of Tribhuvan University. The dissertation is successful due to the effort of a number of wonderful people who have always given their valuable advice or lent a helping hand. I sincerely appreciate the inspiration; support and guidance of all those people who have been instrumental in making this study a success.

I deem it a great pleasure with respect and deep sense of gratitude to my research supervisor Madhusudan Gautam. His valuable supervision and guidance have been the major boost in completing this study. I am highly indebted and very thankful for his continuous support and constructive suggestions that have enabled this research project to achieve its present form. Moreover, I am also indebted and thankful to him for his motivation, support and instruction in completing my overall MBS degree.

Without forgetting, I also highly appreciate the efforts, supervision, guidance and inspirations of all the faculties of Shanker Dev Campus not only throughout this study but throughout the whole MBS course. I would like to acknowledge all my friends. I would like to express my sincere thanks to the staffs of Shankar Dev Campus Library, Putalisadak for their cordial co-operation.

I owe my last thanks to my parents and my siblings for their affection and emotional support that has inspired me to achieve every success including this study. I would also like to take full responsibility of any kind of deficiency presented in this study.

Madan Rawal

April, 2024

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS

BS	: Bank Size
CAMEL	: Columbia Stock Exchange
DAR	: Debt to Asset Ratio
DER	: Debt to Equity Ratio
DPS	: Dividend Per Share
EAR	: Equity to Asset Ratio
EPS	: Earning Per Share
GDP	: Gross Domestic Product
LDR	: Loan to Deposit Ratio
LM	: Lagrange Multiplier
M/B	: Market to Book Value
MPS	: Market Price Per Share
NPLR	: Non-Performing Loan Ratio
OLS	: Ordinary Least Square
PER	: Price Earnings Ratio
RMP	: Relative Market Power
ROA	: Return on Assets
ROA	: Return on Assets
ROAA	: Return on Average Assets
ROE	: Return on Equity
SCP	: Structure Conduct Program
Size	: Bank Size

ABSTRACT

This study delves into the intricacies of determining the market value of Nepalese commercial banks by examining a dataset spanning a decade from 10 different banks. Through the utilization of correlation and regression analyses, the research aims to uncover the key factors influencing the market value of these banks. The findings shed light on several significant determinants. Firstly, profitability, as measured by return on assets, emerges as a crucial factor positively impacting bank value. Similarly, the level of deposits held by the bank is found to have a positive association with its market value, indicating the importance of deposit mobilization for enhancing bank worth. Conversely, the study identifies loans as exerting a negative influence on bank value, suggesting that the management of loan portfolios is vital for maintaining or increasing market value. Furthermore, the study highlights the importance of capital adequacy, management efficiency, and asset quality in driving positive outcomes for bank value. Notably, higher levels of capital adequacy and efficient asset management contribute positively to bank worth, while superior management practices are associated with increased market value. However, the analysis also reveals that bank size exhibits a negative relationship with market value, signaling potential challenges associated with economies of scale or operational efficiency in larger banks. Additionally, the study explores the impact of macroeconomic factors such as GDP growth and inflation rate on bank value. Surprisingly, these macroeconomic indicators were found to be non-significant determinants of bank value, indicating that internal factors may play a more dominant role in shaping bank worth. Overall, the study underscores the importance of effective asset utilization, prudent management decisions, and maintaining optimal capital levels as strategies for enhancing the market value of Nepalese commercial banks in a dynamic financial landscape.

Keywords: Capital Adequacy Ratio, Liquidity Ratio, Non-Performing Loan Ratio, Loan Ratio, Bank Size, Market Value, Market to Book Value

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Banks plays an important role in the economy, the performance of financial institutions receives a considerable lot of attention in the finance literature. Competitiveness, concentration, efficiency, productivity, and value are just a few of the metrics used to measure the performance of financial institutions. Improved performance in firms makes them better equipped to withstand negative shocks and contribute to the stability of the financial system in general (Athanasoglou et al., 2008). The value of the banking system has been one of the most talked-about topics in the financial world recently, and it continues to remain so.

Gavila and Santabarbara (2009) observed that too high profitability could be indicative of market power, especially by large banks. This may hamper financial intermediation because banks exercising strong market power may offer lower returns on deposit but charge high interest rates on loans. Too low profitability, in turn, might discourage private agents (depositors and shareholders) from conducting banking activities thus resulting in banks failing to attract enough capital to operate.

Understanding the determinants of a firm's market value is an important question that has attracted substantial research in finance and economics (Belo, Vito, & Juliana, 2019). Firm value represents the market value of assets owned by company. Firm value is considered as a crucial thing since it describes the prosperity of the company's owner. Modigliani and Miller (1958) stated that firm value is determined by company's asset earnings power. The positive impact of asset earnings power shows that if the company has higher earning powers, then the asset turnover will be more efficient and the profit will be higher. As a result, the firm value will also increase. Similarly, opposite will occur if company has lower earnings power. How the market evaluates the ability of banks to generate higher profits is the research question of a large literature on diversification and business models. The effect of diversification on banks' market value depends on the trade-off between synergies and economies of scope.

Raising deposits and making loans are the central activities of banks. Banks can create its value mainly from three divisions. One is a deposit producing division that raises funds

by offering consumers services and interest payments. Second is a revenue producing division that takes funding as an input and converts it into risk adjusted revenue by making loans and holding securities. And finally, third is the synergies between two divisions (Egan, Lawellen & Sunderam, 2017). The market to book ratio (M/B) is a popular measure of banks' value (Calomiris & Nissim, 2014; Chousakos & Gorton, 2017; Minton, Stulz & Taboada, 2017; Sarin & Summers, 2016). It is simply a ratio between market value of equity to book value of equity and represents an appropriate measure of value creation. The popular another measure of bank value is Tobin's Q which is a ratio between market value of equity plus book value of liabilities and total assets.

There have been many studies conducted regarding the issue of whether the credit risk and earnings affect positively or negatively on bank performance and bank value. Owolabi and Enyi (2014) suggested that banks' credit risk exposure does not have a strong influence on their market value and performance. Noman et al. (2015) found a negative and significant effect of non-performing loan ratio, loan loss reserve to gross loan on profitability indicators and also found a negative and significant effect of capital adequacy ratio on return on average equity. Similarly, Saeed and Zahid (2016); Muriithi, Waweru, and Muturi (2016); Hamza (2017) predicted that credit risk has negative effect on bank performance and bank value.

Nirmala, Sanju and Ramachandran (2011) investigated the study on determinants of share price in India by employing the fully modified ordinary least squares method. The results indicated that the variables such as dividend, price-earnings ratio and leverage are significant determinants of share prices for all the sectors under consideration. Further, profitability is found to influence share prices only in the case of auto sector. The other studies conducted by Oladele (2014), Hatem (2017) and Abbas (2018) put same conclusion that profitability has a positive and statistically significant effect on firm value.

Calomriis and Nissim (2007) revealed that there is positive relation between deposit and bank value. On the other hand, Sailbal (2009) suggested that deposits or loans exert a perceptible influence or dampens charter value. Likewise, Rajan (1992) revealed that loans are the primary drivers of value on the asset side of the balance sheet. Thus, economic value of existing loan is larger than their book value and this difference could explain a large portion of the difference between the markets to book value of equity.

Hence, size, bank assets, deposits, capital, risks etc. are considered as the primary determinants of bank value.

In Nepalese context, Baral (2005) revealed that joint venture banks are well capitalized, the quality of assets is on average, operating expenses ratio and earnings per employee of management quality are above industry average and management efficiency is healthy. Financial health of banks are not so week. Pradhan and Gajurel (2010) added that banks should enhance the managerial efficiency to increase bank profitability to meet the competition. Further, favorable macro-economic condition is essential for the increase in profitability and value of the commercial banks. Bhattarai (2014) suggested that dividend yield, earning per share and price earnings ratio are the major influencing factors in determining share price. Bhattarai (2014) pointed that bank size has positive effect on bank performance. Pradhan and Dahal (2016) highlighted that firm-specific variables like earnings per share, divided per share, price earnings ratio, book value per share, return on assets and size are the major determining variables for stock price in context of commercial banks in Nepal. Among the variables, size is found to be the most important determining variable that affects the share price (Pradhan & Pantha, 2019). The study carried out by Gautam (2018) indicated that there is a positive relationship of return on assets with capital adequacy ratio, management efficiency and gross domestic product whereas negative with assets quality and liquidity management.

Pradhan and Paneru (2017) stated that lagged log fixed deposit, numbers of branches, trend and lagged log saving deposit were considered as important variables for deposit in Nepalese banking sector. This implied that these explanatory variables have the heights impact and influence on the bank deposit of commercial bank and change in it will yield the highest change in banks deposit. Gwacha (2019) found that asset size and deposit to asset ratio have a positive and significant effect on bank profitability. However, loans portfolio have a negative and significant impact on bank profitability. The results suggested that banks can improve their profitability through increasing bank size and non-interest income and decreasing credit to asset ratio. Likewise, Pradhan and Pantha (2019) revealed foreign ownership, liquidity ratio and bank age are positively related to return on equity and net interest margin of Nepalese commercial banks. Within this context, this study is an attempt to analyze the determinants of firm value in Nepalese commercial banks.

Gautam (2021) also made a study on the determinants of the bank value: Evidence from Nepalese commercial banks. He found that bank value has a pivotal role in an economy as they provide easy access for firms to fulfill financing needs and help stimulate economic development. The results of this paper showed that profitability, deposit and loans are major determinants of bank value. Pradhan and Paneru (2017) stated that lagged log fixed deposit, numbers of branches, trend and lagged log saving deposit were considered as important variables for deposit in Nepalese banking sector. This implied that these explanatory variables have the heights impact and influence on the bank deposit of commercial bank and change in it will yield the highest change in banks deposit. Gwacha (2019) found that asset size and deposit to asset ratio have a positive and significant effect on bank profitability. However, loans portfolio has a negative and significant impact on bank profitability. As a result, in this research, the drivers that will be examined are those that are internal to the organization or that are determinants of bank value. This study is also an attempt to analyze the determinants of firm value in Nepalese commercial banks.

1.2 Problem Statement

Damodaran (2009) asserts that two essential characteristics are the underlying reasons for the valuation problems with banking firms. First, it is challenging to evaluate cash flows to banking firms since components including capital expenditures, working capital, and debt are not clearly defined. Second, the bulk of banking institutions operate inside a regulatory environment that limits their capitalization, investment options, and rate of expansion. The regulatory environment could alter significantly, which would have a significant impact on bank value. Banks shift savings units' funds toward financing units for deficits. Consequently, a bank's principal functions are to increase deposits and provide loans (Egan, et al. 2017). Therefore, to create bank assets, either adverse selection-free liabilities or loans are employed.

Chen, Goldstein, Huang, and Vashishtha stressed the importance of the deposit franchise in banking operations in their 2018 study. A second school of thought in the literature contends that banks filter and track loans to compile pertinent data about borrowers. Hanson, Shleifer, Stein, and Vishny (2016) identify synergies between the loan and deposit production operations as a way that banks might boost their overall value. Shifting government guarantee values are what produce the biggest change in the time series of bank value (Adrien, Andrea, & Pierre Atkeson, 2018).

Bhattarai (2014) proposed that procuring per offer and cost profit proportions have the huge positive connection with share cost while profit yield showed the critical converse relationship with share cost. One more concentrate on impact of credit risk on bank execution, Bhattarai (2016) reported that non-performing advance proportion affects bank execution while cost per advance resources meaningfully affects bank execution. Also, bank size significantly affects bank execution. Pradhan and Dahal (2016) additionally featured the positive connection between stock cost and income per share, book esteem per share, return on resource and size. Further, Bhattarai (2017) explored the impact of credit risk on productivity of business banks and recommended that default risk is altogether emphatically connected with banks' benefit. Be that as it may, capital sufficiency proportion is viewed as altogether adversely related to productivity.

Pradhan and Pantha (2019) uncovered that unfamiliar possession, liquidity proportion, bank size and bank age are emphatically connected with return on value and net revenue edge of Nepalese business banks. Gwacha (2019) found that resource size and store to resource meaningfully affect bank productivity. Notwithstanding, credits portfolio fundamentally affects bank productivity. This study endeavors to examine the effect of firm-explicit elements on firm worth in Nepalese setting. Ghimire and Mishra (2018) showed that market to book proportion is emphatically related with stock cost. The outcome showed that profit per share, book esteem per offer and cost income proportion have importance positive impact on stock cost though EPS has least effect on the stock cost. This study focuses on the following issues:

- What are major determinants of bank value in the sample commercials banks?
- Is there any relationship between bank internal variables and bank value of sample commercial banks?
- What is the impact of internal variables of bank on value of sample commercial banks?

1.3 Objectives of the study

The major objective of this study is to analyze the determinants on value of commercial banks in Nepal. However, the objectives of this study are as below:

- To assess the main factors that affects the value of sample commercial banks.

- To examine the relationship between internal variables and value of sample commercial banks
- To analyze the impact of internal variables on value of sample commercial banks.

1.4 Rationale of the Study

The study on the determinants of bank value in Nepalese commercial banks aims to understand what factors influence how well these banks perform financially and create value. By doing this research, we can contribute new knowledge to the field of finance, especially concerning the unique context of Nepal's banking sector. This information can be really useful for policymakers, regulators, and bank managers because it can help them create better policies and strategies to ensure the financial stability and growth of banks. Additionally, investors who are interested in putting their money into Nepalese banks can use this research to make smarter investment decisions. By identifying what makes banks more valuable, we can also learn more about the risks they face and how they can manage those risks effectively. Ultimately, this research can give Nepalese banks a competitive edge by helping them understand and improve the factors that contribute to their value and success.

1.5 Limitations of the Study

The research study has some limitations. The main limitations of the study were as follows:

- The study is limited to ten commercial banks taken as sample.
- This study concentrates only on value aspects and thus ignores the other financial aspects.
- In this study, only selected financial and statistical tools as well as techniques were used.
- Only ten-year data was considered for secondary data.
- The reliability of the data depends totally on the annual report of the banks for secondary data.

CHAPTER II

LITERATURE REVIEW

2.1 Conceptual Review

In this section, reviewing the concept of bank value, theories of the determinants of the bank value can provide a clear picture on how the commercial banks, despite of the specific approaches that may differ among the Nepalese commercial banks.

2.1.1 Bank Value

A banks' value was achieved by charging an interest rate on its holdings of securities and loans that was greater than the costs on its liabilities. To put it another way, banks make money by selling liabilities with a specific set of characteristics (a particular combination of liquidity, risk, size, and return) and then reinvesting the proceeds in assets with a different set of characteristics. This process is referred to as asset transformation. A savings deposit held by one person may be sufficient to provide the cash necessary for a bank to provide a mortgage loan to another individual. The degree of value of a bank is very important to its shareholders because it demonstrates how well management has used their money (Devinaga, 2010).

2.1.2 Factors Affecting Bank Value

According to Husni (2011), the internal drivers of value are comprised of elements that are under the control of the financial institutions. As a result, the banks have the authority to define the degree at which these criteria should be considered. All of these characteristics have an impact on both the income and cost incurred by the financial institutions.

Capital Adequacy

It is the minimal amount of capital that the bank must maintain in order to absorb a loss that demonstrates the bank's capacity to absorb a loss. It functions in the same way as an air bag in an automobile. Capital adequacy refers to the amount of capital a bank must maintain in order to guarantee the level of capital necessary to withstand operational losses while still honoring withdrawals as mandated by financial regulators. When represented as a percentage of a bank's risk-weighted exposure, it is a measure of the amount of capital a bank possesses. Banks with a high capital adequacy ratio should theoretically have a high level value. Because increased capital lowers the risk of banks

and serves as a protective buffer against losses, it makes financing with non-insured debt and less information sensitive more feasible (Admati et al., 2013).

Bank Size

In most studies of bank value determinants, the total asset is used a measure for bank size. Bank size is usually used to account for potential economies or diseconomies of scale in the banking sector. Additionally, bank size is associated with diversification which may impact favorably on risk and product portfolio. Economies of scale will reduce the cost of gathering and processing information so that a positive effect of bank size is associated with profitability. Akhaveinet al. (1997) and Smirlock (1985) found a positive and significant relationship between size and bank and its value. Size is closely related to the capital adequacy of a bank since relatively large banks tend to raise less expensive capital and hence, appear more profitable. These results imply that as size increases, value increases. This is especially true in the case of small to medium-sized banks (Macharia, 2016).

Management Efficiency

The vision, capability, agility, professionalism, integrity, and competence of the financial institution's management will determine the performance of the other four components, which in turn will determine the performance of the other four components. The success of every organization is dependent on the effectiveness of its management. In the evaluation of the overall CAMEL composite rating brickwork rating, management quality is often given a higher value than brickwork quality. The success or failure of a bank or financial institution is determined by the quality of the management team.

Assets Management Ratios

Non-performing loans ratio (NPLR) indicates the loans that are default for the period of more than 90 days and the assets that are acquired as result of foreclosure. Non-performing loans ratio (NPLR) reflects the bank's credit quality and is considered as an indicator of credit risk management. NPLR indicates how banks manage their credit risk (Hosna et al., 2009). Asset management ratio is also known as turnover ratio or activity-based ratio. It measures how the assets are effectively managed interim of sales and utilizes it assets. This ratio presumes that there exists an appropriate relationship between sales and various assets. The more important asset management ratio for analysis is inventory turnover ratio, total assets turnover ratio, fixed assets turnover ratio, capital

employed turnover ratio, average collection period, inventory conversion period, etc (Kandel, 2017).

Interest Rate

Manchara (2016) asserts that interest rate risk emerges as a result of fluctuations in the interest rate. When a bank experiences an imbalance in terms of size or maturity dates between assets and liabilities that are sensitive to interest rates, the bank is exposed to interest rate risk. This imbalance can result in potential losses for the bank when interest rates rise or fall, and this can have an impact on the bank's net asset value in the budget, which some refer to as the risk gap. When interest rates rise and liabilities re-price more quickly than assets, the interest spread narrows and the bank's value suffers as a result, in the case of a rising interest rate.

Gross Domestic Product (GDP)

It is the sum of value created in an economy during a given time or the total of revenues in an economy during a given period that is adjusted for the impact of rising prices on the real gross domestic product (GDP) (Daferighe &Aje, 2009). When Ugbede, et al. (2012) investigated the impact of commercial banks credit on Nigeria's gross domestic product (GDP), they discovered that commercial banks credit has a significant positive impact on the nation's GDP, meaning that the greater the volume of Commercial banks credit made available, the greater the corresponding GDP.

Inflation

It is also crucial to note that the rate of inflation is another significant macro- economic variable, and its impact is dependent on whether the inflation is anticipated or unexpected (Perry,1992). The interest rates are modified appropriately if inflation is projected, which results in revenues increasing faster than expenses, resulting in a favorable impact on the value of the financial institutions.

2.2 Theoretical Review

Here, review of the relevant theories that explain the value and its impact on the determinants of the bank value of Nepalese commercial banks. The theoretical reviews covered are efficiency theory, portfolio theory, market power theory, trade off theory.

Efficiency Theory

The fundamental theoretical explanation for the link between the ownership structure and value is based on the efficiency theory, originally defined by (Jensen and Meckling, 1976). Their study explains why managers of firms with varied capital structures, pick distinct activities. In a connection between owners and managers, a principal-agent relationship, both vary in demands and preferences. There are two unique ways within the efficiency; the X-efficiency and Scale–efficiency hypotheses. According to the X-efficiency concept, more efficient enterprises are more lucrative because of their 16 reduced expenses. Such businesses tend to obtain greater market shares, which may appear in higher levels of market concentration, but without any causal link from concentration to value (Athanasoglou et al. 2006)

Portfolio Theory

The portfolio theory method is the most applicable and plays a key role in bank performance studies (Nzongang & Atemnkeng 2006). According to the Portfolio balance model of asset diversification, the optimum holding of each asset in a wealth holder ‟s portfolio is a function of policy decisions determined by a number of factors such as the vector of rates of return on all assets held in the portfolio, a vector of risks associated with the ownership of each financial assets and the size of the portfolio. It means portfolio diversification and the targeted portfolio composition of commercial banks are products of choices made by the bank management. Further, the capacity to produce maximum profits relies on the viable set of assets and liabilities specified by the management and the unit expenses spent by the bank for creating each component of assets (Nzongang & Atemnkeng 2006).

The Market Power Theory

The market power hypothesis, as used in banking by Tregena (2009), asserts that the performance of a bank is impacted by the market structure of the industry, which is supported by evidence. Two unique methods exist within the market power theory, namely, those based on the Structure-Conduct-Performance (SCP) hypothesis and those based on the Relative Market Power (RMP) hypothesis. According to the SCP method, the amount of concentration in the banking industry gives rise to potential market dominance by banks, which may result in higher profits for the institutions concerned. Banks operating in more concentrated markets are more likely than firms operating in less

concentrated markets to generate "abnormal profits" as a result of their ability to lower deposit rates and charge higher loan rates as a result of collusive (explicit or tacit) or 17 monopolistic reasons, irrespective of their efficiency (Tregenna 2009).

Trade Off Theory

The balance sheet structure might also impact banks' value; in this sense, the equity-toasset ratio is an important balance sheet statistic that gained significant attention. For this ratio, theoretical theories imply various indications of the connection with profitability. According to the Modigliani & Miller theorem there exists no link between the capital structure (debt or equity financing) and the market value of a bank (Modigliani & Miller 1958). In this situation, there is no link that exists between the equity-to-asset ratio and finance costs. Thus, when the ideal market does not hold there might be a probable cause for a negative link. Financing theory suggest that increasing risks, by increasing leverage and thus lowering the equity-to-asset ratio (increasing leverage), leads to a higher expected return as entities will only take on more risks when expected returns will increase; otherwise, increasing risks have no benefits. This theoretical explanation is known as the risk-return trade off (Ommeren 2011).

2.3 Empirical Review

Yuan et. al (2022) conducted a research with the purpose to investigate the impact of the determinants of profitability on the commercial banks in the Asian countries. Secondary data was used to analyse the data. The annual reports of the Indian and Bangladesh private commercial bank was used as the source to collect the data. The panel data research methodology was used as an estimation technique to analyze the data. Also, the ordinary least squares (OLS) regression model was used to scrutinize data. To check whether the models were appropriate, the Breusch–Pagan Lagrange Multiplier (LM) Test was employed. Banks' specific factors and microeconomic factors showed almost the same variations for both Bangladesh's and India's private banks. All models and tests were evaluated using E-views econometric software. The study found that the Return on Asset (ROA) from the banks' specific variables, strength of the Bank size (BS), and Debt to Asset Ratio (DAR) are found to be positive and significant. For banks, the Deposit to Asset Ratio (DAR) and the Loan to Deposit Ratio (LDR) were found to be negative and significant. The Equity to Asset Ratio (EAR) and Debt to Equity Ratio (DER) did not have any positive/negative impact.

Zerihun (2021) investigated the effect of bank specific factors on value of selected commercial banks in Ethiopia. The researcher identified return on asset as a dependent variable whereas bank size, capital ratio and management efficiency as an independent variable. For the achievement of the objectives the researcher collected secondary data in the form of annual audited financial statements from eight selected sampled commercial banks to investigate the effect of selected bank specific factors on value for six years from 2013 to 2018. In order to select sampled banks from all the total of 17 commercial banks operating, purposive sampling method was employed. This study adopted an explanatory approach by using panel data research design to fulfill the objectives. The collected data have been analyzed using random effect model of panel data analysis. The results of the study show that capital ratio and management efficiency are positively related with value but bank size negatively related with value. Bank size significantly negatively affects value, capital ratio insignificantly positively affects value and management efficiency significantly positively affects value of banks. It is concluded that management efficiency is the major factor of value from the variables included in the model.

Ngweshemi and Isiksal (2021) analyzed the factors that influence the value of private and public commercial banks in Tanzania. By the use of annual time series internal and external data for the period 2013 to 2019, and a quantitative approach methodology using GMM technique analysis of the impact of the selected determinants was made. The results from bank-internal variables comprised of four statistically significant variables which are capital adequacy, asset quality, loan composition, and cost efficiency while the rest is insignificant. Likewise, the macro- economic determining factors (growth domestic product (GDP) and inflation rate) were found to be non-significant. The empirical results have shown that value is more explained by bank-specific determinants that are directly controlled by the management than the macroeconomic factor variables which are beyond the reach of management control.

Gautam (2021) made a study on the determinants of the bank value: Evidence from Nepalese commercial banks. He found that bank value has a pivotal role in an economy as they provide easy access for firms to fulfill financing needs and help stimulate economic development. This study analyzed the impact of key bank-specific determinants on bank value in Nepalese commercial banks, covering 133 observations from 19 commercial banks over the period 2012/13 to 2018/19. Bank value was measured through M/B and Tobin’s Q. Size, profitability, credit risk, loan, deposit and

capital are used as explanatory variables. Panel data regression models was used for analysis purpose. The results of this paper showed that profitability, deposit and loans are major determinants of bank value. Moreover, return on assets and bank deposit had positive effect on bank value whereas loan has negative explaining power on bank value. Thus, this paper concludes that Nepalese commercial banks have to pay special attention for the efficient and effective utilization of assets to increase profits and try to increase the size of deposits to increase loan portfolio.

Neupane (2020) examined the key determinants of value of Nepalese commercial banks. This study employs descriptive statistics to describe the value of Nepalese banks and its determinants. Further, the degree of correlation among different indicators of value and its determinants has been assessed by calculating correlation coefficient. This study has adopted a panel data regression model (Fixed Effect Model and Random Effect Model) to investigate the determinants and their impact on value of Nepalese commercial banks. The analysis reveals that the bank value measured by ROA of Nepalese commercial banks is significantly affected by concentration ratio, banking sector development, GDP growth, inflation and exchange rate significantly in opposite direction rather it is not significantly affected by the internal factors like bank size, capital base, deposit, loan, off-balance sheet activities and number of branches. Another indicator of bank value; NIM is significantly affected only by capital adequacy, absolute number of branches and inflation rate.

Mohanty and Sarkar (2020) analyzed the bank specific and external factors on value of PSU banks in India. Researcher adopted secondary data with analyzing the descriptive and regression analysis. The evidence shows that liquidity risk has a significant negative affect on value of the PSU banks. Also, operational risk and capital efficiency have a significant negative impact on value. Return on assets, bank size, and economic growth rate are found to influence value negatively; only the effect of the former was statistically significant. Increase in nonperforming assets adversely affects value.

Budhathoki and Rai (2020) examined the impact of assets quality, capital adequacy ratio, assets diversification and operating efficiency on banks' value. This study employs bank scope data of eight commercial banks during the period of 2002/03 – 2016/17. Altogether, there are 96 observations are made in the study. The ordinary least squares model is used to analyze the data. The results indicate that three predictor variables assets quality, operating efficiency, and capital adequacy ratio significantly affect bank value.

But the predictor variable diversification does not affect banks' value significantly. The results of this study help the bankers and policymakers to take effective action in order to improve banks' values.

Serwadda (2018) accessed whether bank-specific (internal) factors impact on the value of commercial banks in Hungary for 16 a year period ranging from 2000–2015. The study employs return on average assets (ROAA) as a proxy for bank value, and it also considers bank-specific (internal) factors as independent variables. The study uses panel regressions, descriptive statistics and correlation analysis for the investigations. The empirical findings reveal that non-performing loans, overhead costs and liquidity had a significant negative impact on bank value as bank size had a significant positive impact on value. However, net interest margin and capital adequacy ratio had no impact on bank value. The study concludes that bank size and asset quality are bank-specific factors that have the biggest impact on commercial banks' value in Hungary for the period under investigation.

Pradhan (2017) determined the factors affecting value of Nepalese commercial banks. It considers both bank specific and macro-economic factors. The study is based on pooled cross-sectional analysis of secondary data of 22 banks with 154 observations for the period 2005/06 to 2011/12. As a first approximation to the theory, this study hypothesizes that the value of the banks depends on several firm specific and macro-economic variables such as, credit deposit ratio, market share, GDP, inflation, liquidity and non-performing loans. The study revealed that average return on equity was 16.18 percent while the average return on assets was 14.42 percent. The average ratio of non-performing loan to total loans was observed to be 4.23 percent. The beta coefficients for inflation, liquidity, and non- performing loans were negative, while they were positive for credit to deposit ratio, market share and GDP. However, the coefficients were significant for credit deposit ratio and liquidity only at 5 percent level of significance. Thus, this study concludes that credit to total deposit ratio and liquidity are the major determinants of value of Nepalese commercial banks.

Mahmud et al. (2016) identified the bank specific variables that affect the value of commercial banks of Bangladesh. A total of 15 commercial banks were taken & their financial reports were analyzed from 2003-2013. The study used return on asset as the dependent variable & bank specific variables like capital adequacy ratio, gearing ratio (risk), liquidity, non-performing loan ratio, operating expense ratio & bank size as

independent variables. Prais-Winsten correlated panels corrected standard errors (PCSEs) model was employed which removes any autocorrelation &heteroscedasticity problem automatically for the panel data. The results indicated that size, operating expense, gearing ratio & capital were found to be important variables that affect the bank value of Bangladesh. Other two variables were not important determinants for Bangladeshi commercial banks. Capital shows positive relation to bank value but other three statistically significant variables showed negative relation to performance. Empirical results suggest that adequate capital, low risk, efficient expense management & rightsizing lead to greater performance and value for Bangladeshi bank industry.

Weersainghe and Ravinda (2013) pointed out the impact of bank specific such as Bank Size, Liquidity Risk, and Operating Cost, Capital adequacy, Credit Risk and macroeconomic determinants like GDP growth rate and Interest Rate on the value of commercial banks in Sri Lanka by using quarterly data relating to the bank specific and macroeconomic indicators during the period 2001-2011 and carrying out a multiple panel regression. Moreover, they used ROA and ROE as value indicator. According to the empirical results, it was observed that the large banks are recorded more profits due to economic of scale than the banks which are well sound with a higher regulatory capital ratio. Further, the results from the panel regression suggest that the liquidity and operating cost efficiency banks were negatively related to the commercial banks value in Sri Lankan. In addition, interest rate found to be having a significant impact on the bank value with a negative relationship between the Return on Assets of a bank

Alper and Anbar (2011) investigated macroeconomic determinants of commercial bank value in Turkey over the period of 2002-2010.The study uses both return on asset (ROA) and return on equity (ROE) as proxy for bank value. By employing balanced set of panel data and fixed effect model, the result showed that only real interest rate is positively related with value in regards to macroeconomic variables. Furthermore, the empirical findings recommended that through increasing bank size and none interest income and decreasing credit to asset ratio banks can get better values. Moreover, higher interest rate can lead to higher bank value.

Nirmala et al. (2011) investigated determinants of share price in healthcare, auto and public sector over the period 2000 to 2009. The results showed that earnings variables such as dividend, P/E ratio and leverage are major drivers of share price. Ishliaq and Naeemullah (2014) analyzed the relationship between market value and earnings and

found that factors that affect earnings have significant impact on market value of banks and cost efficiency creates additional value to investors. Oladele (2014) found that profitability and dividend policy have significant relationships with the creation of shareholder value while financial policy does not. Tui et al. (2017) observed positive and significant effect of profitability on firm value.

Table 2.1

Review Matrix of Empirical Studies

Author(s)	Year	Major Variables	Methodology	Key Findings
Yuan et. al	2022	ROA, BS, DAR, DTAR, LDR, EAR, DER	Panel data research and OLS regression	ROA, BS, and DAR are positive and significant; DTAR and LDR are negative and significant; EAR and DER have no impact
Zerihun	2021	Capital Ratio, Management Efficiency and Bank Size	Explanatory approach using panel data research design	Capital ratio and management efficiency are positively related; bank size negatively related
Ngweshemi and Isiksal	2021	Loan Ratio, NPLR, Liquidity Ratio, Bank Size, Market Value, Market to book Value	GMM technique analysis	Value is more explained by bank-specific determinants than macroeconomic factors; 4 statistically significant bank-internal variables

Gautam	2021	Profitability, deposit, loan ratio, ROA, bank deposit,	Panel data regression models	Profitability, deposit and loans are major determinants; ROA and bank deposit have positive effect; loan has negative effect
Neupane	2020	ROA, GDP, Inflation, NIM, CAR	Descriptive statistics and panel data regression (Fixed Effect Model and Random Effect Model)	ROA is significantly affected by concentration ratio, banking sector development, GDP growth, inflation and exchange rate; NIM is significantly affected by capital adequacy, absolute number of branches, and inflation rate
Mohanty and Sarkar	2020	Liquidity risk, operational risk, CAR, ROA, bank size, and economic growth rate	Descriptive and regression analysis	Liquidity risk, operational risk, capital efficiency have significant negative impact; return on assets, bank size, and economic growth rate influence value negatively (only return on assets was statistically significant)
Budhathoki and Rai	2020	Assets Quality, Operating Efficiency, CAR, Market Value	Descriptive statistics and panel data regression	Assets Quality, Operating Efficiency, and Capital Adequacy Ratio significantly affect bank value. Diversification does not affect bank value.

Serwadda	2018	Non-performing loans, Overhead costs, Bank size, Liquidity Ratio, Market Value, NIM and CAR		Non-performing loans, Overhead costs, and Liquidity have a significant negative impact on bank value. Bank size has a significant positive impact on bank value. Net interest margin and capital adequacy ratio have no impact on bank value.
Pradhan	2017	Credit deposit ratio, liquidity, Inflation non-performing loans	Descriptive and regression analysis	Credit deposit ratio and liquidity are major determinants of value of Nepalese commercial banks. Inflation and non-performing loans have a negative impact on bank value.
Mahmud et al.	(2016)	Bank Size, operating expense, gearing ratio, and capital	Descriptive and regression analysis	Size, operating expense, gearing ratio, and capital are important variables that affect bank value in Bangladesh. Capital has a positive impact, while other three variables have a negative impact on performance

Weersainghe and Ravinda	(2013)	Net Income, Liquidity Ratio, Market Value, Interest Rate	Panel data regression models	Large banks have more profits than well-capitalized banks. Liquidity and operating cost efficiency negatively relate to bank value in Sri Lanka. Interest rate has a significant negative impact on bank value.
Alper and Anbar	(2011)	Real Interest Rate, Market Value, Bank size, non-interest income, and credit to asset ratio	GMM technique analysis	Real Interest Rate is positively related to bank value in Turkey. Bank size, non-interest income, and credit to asset ratio also impact bank value.

Review of Nepalese Thesis

Khadka (2018) study, conducted from 2012/13 to 2016/17, aimed to understand what factors influence the share prices of commercial banks in Nepal. They focused on variables like earnings per share (EPS), book value per share (BVPS), dividend per share (DPS), and price-to-earnings ratio (P/E Ratio), while the market price per share (MPS) served as the dependent variable. They chose four commercial banks from the Nepal Stock Exchange (NEPSE) out of a total of 28 banks using a technique called convenience sampling. Using a descriptive research design, Khadka employed multiple correlation and simple and multiple regression models to analyze the relationship between share prices and these variables. Their findings revealed that DPS had a significant negative impact on share prices, while EPS, BVPS, and P/E Ratio had a significant positive impact. Interestingly, changes in EPS, DPS, and BVPS weren't significantly affected by changes in share prices. However, the P/E ratios of Nepal SBI Bank (NSBI) and Nepal Bangladesh Bank Ltd. (NBBL) were notably influenced by share price fluctuations. These results align with previous research in Nepal, indicating a consistent pattern regarding the factors influencing share prices in the country's commercial banks.

Joshi (2019) study, covering the period from fiscal year 2013/14 to fiscal year 2017/18, delved into the fluctuations of stock prices in Nepalese commercial banks. They focused on four banks and utilized statistical tools like mean, standard deviation, correlation, and regression analysis, employing SPSS version 23 software. In their analysis, Joshi used financial ratios to understand how earnings per share (EPS), dividend per share (DPS), net worth per share (NWPS), and price-to-earnings ratio (P/E ratio) impact market price per share (MPS), which served as the dependent variable. The results revealed a positive relationship between MPS and EPS, DPS, and NWPS, indicating that as these variables increased, so did the market price per share. However, they found a negative relationship with the P/E ratio, suggesting that higher P/E ratios were associated with lower market prices per share. Furthermore, Joshi's review highlighted the favorable macroeconomic environment in Nepal. However, they identified infrastructure deficiencies, technological shortcomings, and an underdeveloped labor market as significant challenges that needed addressing to enhance Nepal's investment climate competitiveness. This insight underscores the importance of addressing these issues to foster a more robust and attractive investment environment in Nepal.

Adhikari's study, spanning from 2008/09 to 2014/15, aimed to uncover the factors that influence the share prices of commercial banks in Nepal. They conducted empirical analysis, where they considered market price per share (MPS) as the dependent variable and several independent variables: earnings per share (EPS), price-to-earnings ratio (P/E), size (S), dividend yield (DY), and dividend payout ratio (DPR). To determine the impact of these independent variables on share prices, Adhikari employed linear multiple regression analysis. The results revealed that EPS, P/E ratio, dividend yield, and dividend payout ratio significantly influenced share prices. Among these factors, earnings per share emerged as the most crucial determinant of share prices. This suggests that for commercial banks in Nepal, increasing their earnings per share could have the most substantial impact on their share prices. In simpler terms, Adhikari's research showed that a commercial bank's earnings per share, along with other factors like its price-to-earnings ratio and dividend policies, play a significant role in determining its share price. Increasing earnings per share could be particularly beneficial for boosting a bank's share prices.

Chundali (2020) research investigated what factors contribute to the ups and downs in share prices of Nepalese commercial banks. Additionally, the study aimed to understand the public's perception of these factors influencing share price movements in Nepal. To do this, the study used a mix of primary and secondary data from various sources. They employed a method called convenience sampling, where they selected respondents based on their availability and accessibility. They gathered data through questionnaires, serving as the primary source, and also examined annual reports from sample banks for secondary data. The collected data underwent analysis using statistical measures like mean, standard deviation, coefficient of variance, and correlation coefficients. The findings revealed that a majority of respondents believed that factors such as the country's political situation, earnings per share, dividend distribution patterns, book value, share prices, regulations from the central bank, and financial aspects all play a role in influencing share price movements. However, some respondents still held onto other beliefs. Moreover, the study highlighted the high volatility of share prices in Nepal's commercial banks. Share prices tended to fluctuate significantly, which piqued interest in identifying the factors behind these fluctuations. It's worth noting that shares of commercial banks make up a significant portion of many investors' portfolios, underscoring the importance of understanding what drives their price movements. In essence, Chundali's study sheds light on the complex dynamics affecting share prices in Nepalese commercial banks, as well as the diverse perceptions among the public regarding these factors.

Ojha's study in 2020 delved into the behavior of common stock prices in Nepalese commercial banks, focusing particularly on key financial indicators such as earnings per share (EPS) and dividend per share (DPS). They found that these indicators were both positively and negatively correlated with market value per share (MVPS), which is essentially the stock price per share. Typically, EPS and DPS show a positive correlation with MVPS, meaning that as EPS and DPS increase, so does the market value per share. However, Ojha noted instances where a negative correlation occurred, often due to technical factors like rumors or fluctuations in supply and demand in the stock market. Their study involved a descriptive-comparative analysis of six banks established before 2000. Data were gathered from the banks' websites and analyzed using various financial and statistical tools. The findings revealed that Nabil Bank had a high EPS on average, indicating strong earnings compared to other banks. Investors tended to favor banks with consistent price-to-earnings (P/E) ratios, as this stability is

perceived as favorable. A lower coefficient of variance (C.V.) in the P/E ratio is also seen as a sign of consistency, with Nepal Investment Bank Limited (NIBL) performing well in this aspect. The study also highlighted observations regarding dividend distributions. For example, if a bank did not declare dividends in the previous fiscal year, it could suggest either a lack of profitability or a decision to reinvest earnings rather than distributing them to shareholders. Furthermore, Ojha's research pointed out that the market value per share to book value per share (MVPS/BVPS) ratio greater than 1 indicates that a bank's stocks may be overvalued. This ratio provides insight into whether a stock is trading at a premium or discount relative to its book value. Overall, the study suggested that technical factors, such as rumors and market dynamics, played a more significant role in influencing stock prices than fundamental factors. EPS was identified as a particularly influential factor in determining common stock prices. Notably, Kumari Bank showed a strong positive connection between DPS and MVPS, while NIBL Bank exhibited a notable negative correlation. This implies implications for the random walk efficient market theory, suggesting that market prices may not always fully reflect all available information and could exhibit some level of unpredictability.

2.4 Research Gap

The empirical evaluation conducted for study offers background information on the value of commercial banks. The majority of the research were not conducted in accordance with regulatory criteria in order to discover the numerous internal elements that influence the performance of financial institutions. The frameworks utilized to identify internal determinants may differ from those used to determine regulatory rating requirements. In addition, the financial ratios to be utilized for monitoring performance are not in accordance with standards set by the regulatory body. For example, the effectiveness of management and the size of the organization are utilized to determine value. So the purpose of this study is to investigate the bank-specific factors that influence bank value in Nepal and to close the knowledge gap that exists in the field by incorporating and testing new variables such as management efficiency as well the size of a bank, which have only been tested by a small number of researchers in the country.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Design

Descriptive and causal research design comprises a unique approach to this issue by using the simple regression model to identify the determinants of bank value in Nepalese commercial banks to test the theoretical relation between dependent and independent variables.

3.2 Population and Sample

There are 20 commercial banks till January, 2024 listed in NEPSE which is population of the study and out of them 10 banks are taken as the sample. This study covers the data of the 50% of the total commercial banks listed in the NEPSE. The total observation is taken

from the last 10 years through the data source of NRB. The previous study had conducted by Gautam (2021) conducted 133 observations and for the more reliability of data we have collected the data from 10 banks with 10 years' data as per the convenience sampling.

3.3 Sources of Data

The required secondary data have been collected from the financial statement listed commercial banks published by Nepal Stock Exchange Limited. The related data are obtained from the annual reports published by concerned commercial banks. Besides this further data are collected from published and unpublished reports, journals, internet, thesis etc. This study is based on secondary data. Ten years' data has been taken for study.

3.4 Data Analysis Tools

For analysis of this study different financial and statistical tools have been used. By applying financial and statistical tools, the relationship between MPS and Market to Book Value with different relevant financial variables has been examined. The calculated results have been tabulated and compared and interpreted. Simple regression analysis has been used to study the influences of independent variables to dependent variables.

Descriptive Statistics: Descriptive statistics are brief descriptive coefficients that summarize a given data set, which can be either a representation of the entire or a sample of a population. Descriptive statistics are broken down into measures of central tendency and measures of variability (spread). Measures of central tendency include the mean, median, and mode, while measures of variability include the standard deviation, variance, the minimum and maximum variables, and the kurtosis and skewness.

Correlation Analysis: The Correlation Analysis is the statistical tool used to study the closeness of the relationship between two or more variables. The variables are said to be correlated when the movement of one variable is accompanied by the movement of another variable. In the correlation analysis, there are two types of variables: Dependent and Independent. The purpose of such analysis is to find out if any change in the independent variable results in the change in the dependent variable or not.

Regression Model: Statistical model is a mathematical model that embodies a set of statistical assumptions concerning the generation of sample data (and similar data from a larger population). A statistical model represents, often in considerably idealized form,

the data-generating process. A statistical model is usually specified as a mathematical relationship between one or more random variables and other non-random variables. As such, a statistical model is "a formal representation of a theory" statistical hypothesis tests and all statistical estimators are derived via statistical models. More generally, statistical models are part of the foundation of statistical inference. Pooled data have been used in the analysis. The technique of pooled data estimation takes care of the problem of heterogeneity in the 10 Commercial banks s selected for the study. The study has used following econometric model: $Y = \beta 0 + \beta Xit + \varepsilon it$

Where: Y is the dependent variable; β0 is constant; β is the coefficient of explanatory variables; X it is the vector of explanatory variables; and εit is the error term (assumed to have zero mean and independent across the time period). Based on the prescribed econometric model, particularly to this study, the determinants of lending policy of commercial banks have been estimated with the following regression equation:

$MPSit = \beta 0 + \beta 1\ EPSit + \beta 2DYRit + \beta 3PERit + \beta 4SIZEit + \beta 6ROAit + eit$

Where,

MPSit= Market Price per Share of the firm i in year t

EPSit = Earnings per Share of Firm i in year t

DPSit= Dividend Per Share firm i in year t

PERit = Price Earnings Ratio of Firm i in year t

SIZEit = Bank Size (Natural Logarithm of Total Assets) of firm i in year t

ROAit = Return on Assets of Firm i in year t β0 = Intercept (constant term)

β1, β2, β3 = Regression Coefficient for Respective Variables (i.e. the Slope Which Represents the Degree with which Share Price Changes as the Independent Variable Changes by One Unit Variable).

3.5 Research Framework

The conceptual framework is designed to understand the factor may affect the market price per share. The extant literature available strongly supports the movement of stock price as a consequence of firm factor. In view of theory and major empirical evidence it is expected market price per share of commercial banks may be influenced by Capital Adequacy, Management Efficacy, Bank Size, Liquidity Ratio and Asset Quality. The

conceptual framework developed to test the effect of these variables on the market price per share of listed commercial banks of Nepal. Depended and independent variables to study determinants of bank value in Nepalese Commercial banks. The conceptual framework is developed from the theoretical and literature review and presented in the following diagram:

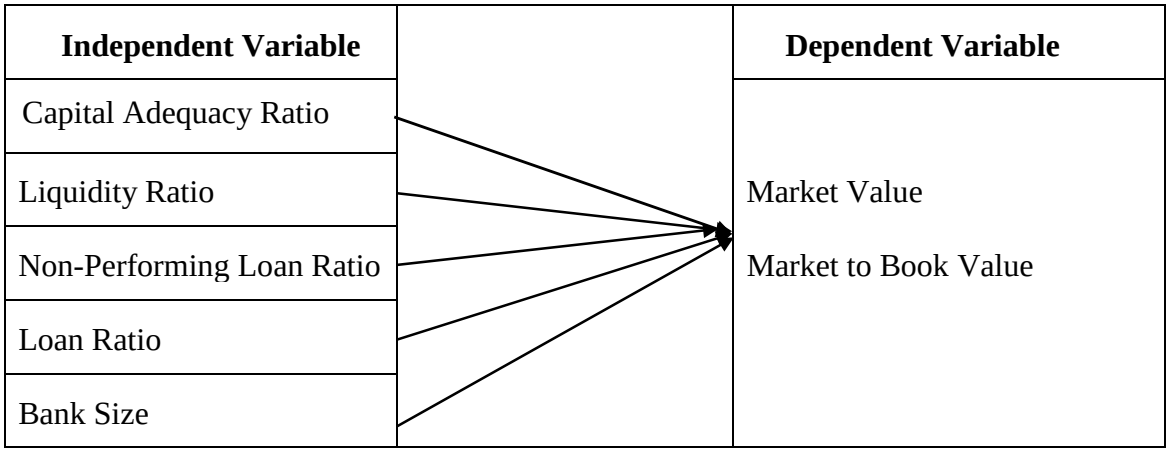

Figure 3.1: *Theoretical Framework*

(*Source*: Mohanty and Sarkar, 2020)

3.6 Variable Specification and Definition of Variables

A study variable is a conjectural statement of the relationship between two or more variables. Variables are always in declarative sentence form and they relate either generally or especially variable to variables. A variable is a tentative generalization the validity of which remains to be tested, in its most elementary state the variables may be very hunch, guess, imaginative data which becomes the basis for action or investigation.

Capital Adequacy

Capital adequacy is essentially a measure of how well-equipped a bank is to handle financial risks and meet its obligations. Think of it as a financial cushion that banks maintain to absorb potential losses. This cushion is formed by a combination of capital, which includes both equity capital (such as common stock) and certain types of debt that can absorb losses without causing a bank to default on its obligations. The capital adequacy ratio is typically calculated by dividing a bank's capital by its total assets, usually expressed as a percentage. This ratio serves as a crucial metric for regulators, policymakers, and investors to assess a bank's financial health and resilience.

Management Efficacy

Management efficacy in the context of banking refers to how well a bank's management team can efficiently and skillfully oversee the institution's operations, utilize its resources, and manage its finances to achieve its strategic goals and objectives. It encompasses a range of practices and processes that are essential for the effective functioning and success of the bank.

Bank Size

Bank size, as indicated by the total assets of a bank, is a fundamental metric that reflects the scale, scope, and market presence of the institution. Total assets encompass all of a bank's resources, including cash, loans, securities, investments, and other assets held for various purposes.

Liquidity Ratio

Liquidity ratio is a vital metric in banking that assesses a bank's ability to cover its short-term liabilities with its liquid assets, such as cash and short-term investments. It's calculated by dividing liquid assets by total liabilities, indicating the proportion of readily available funds to meet immediate obligations. This ratio is crucial for evaluating a bank's financial stability, as it reflects its ability to withstand liquidity shocks or sudden withdrawals from depositors. Banks with higher liquidity ratios are better positioned to weather unexpected challenges, while those with lower ratios may face liquidity strain during periods of financial stress.

Asset Quality

Asset quality is a fundamental aspect of a bank's financial health, reflecting the soundness of its loan portfolio and other assets in generating expected cash flows. Essentially, it measures the risk associated with the assets held by the bank, particularly the probability that loans will not be repaid according to the terms agreed upon. High-quality assets are those that are expected to generate reliable and consistent cash flows over time, with minimal risk of default or loss. Conversely, poor asset quality suggests a higher likelihood of loans or investments underperforming or failing to meet expectations. This can arise from factors such as borrowers' creditworthiness, economic conditions, industry trends, or inadequate risk management practices by the bank. Poor asset quality not only undermines the bank's profitability but also poses significant risks to its financial stability, as losses on loans and investments can erode capital and impair the bank's ability to meet its obligations.

CHAPTER IV
RESULTS AND DISCUSSION

4.1 Results

4.1.1 Structure of the Study Variables

Capital Adequacy Ratio (CAR)

Capital Adequacy Ratio (CAR) is the ratio of a bank's capital in relation to its risk weighted assets and current liabilities. It is decided by central banks and bank regulators to prevent commercial banks from taking excess leverage and becoming insolvent in the process. The Bank of International Settlements separates capital into Tier 1 and Tier 2 based on the function and quality of the capital. Tier 1 capital is the primary way to measure a bank's financial health. It includes shareholder's equity and retained earnings, which are disclosed on financial statements.

Table 4. 1

Capital Adequacy Ratio

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean (%)	S.D (%)	C.V. (%)
2012/13	11.6	11.6	11.6	12.5	12.4	11.1	16.3	22.6	11.6	8.4	13	3.9	30
2013/14	12.2	11.3	11.2	12.3	13.3	12.4	14.9	15.7	12.1	8.7	12.4	2	15.8
2014/15	10.8	13.3	11.6	13.1	14	12.7	17.2	11.9	11	10.6	12.6	2	15.6
2015/16	11.1	12.7	11.7	16.4	13.5	12.4	17.2	14.2	13.7	12.3	13.5	2	14.5
2016/17	11.2	14.7	12.4	21.1	15.7	11.4	20.4	12.8	14.6	11.2	14.5	3.6	24.9
2017/18	12.5	14.2	13	23	15.2	11.5	20.3	12.4	12.5	11.9	14.6	3.9	26.7
2018/19	12.6	13.7	13.1	19.7	14.1	12.3	20.4	12.1	13	11.2	14.2	3.2	22.3
2019/20	14.9	13.4	12.5	18.5	15.6	12.5	19.3	13	14.4	11.2	14.5	2.6	18.2
2020/21	13.9	12.5	12.8	17.2	13.9	29.9	16.9	6	12.9	13.1	14.9	6.1	40.9
2021/22	11.8	11.9	13.1	15.6	13.3	12.7	15.6	16	15.1	12.9	13.8	1.6	11.7
Mean (%)	12.3	12.9	12.3	16.9	14.1	13.9	17.9	13.7	13.1	11.1			
S.D (%)	1.3	1.1	0.7	3.7	1.1	5.7	2.1	4.2	1.3	1.6			
C.V (%)	10.5	8.8	5.7	21.7	7.7	40.8	11.6	30.6	10.2	14.2			

(Source: Annual Reports of Respective Banks)

The Table 4.1 presents the Capital Adequacy Ratio (CAR) for a selection of banks over a ten-year period from the fiscal year 2012/13 to 2021/22. CAR is a crucial financial metric in the banking sector, indicating the proportion of a bank's capital to its risk-weighted assets. In this context, the data includes CAR percentages for banks such as

Habib Bank Limited (HBL), Everest Bank Limited (EBL), Nepal Bank Limited (NABIL), and others. The mean CAR values provide an average assessment of each bank's capital adequacy over the specified period, offering a central tendency measure. Standard Deviation (S.D) serves to highlight the variability or dispersion of CAR values, indicating the degree of risk or stability. The Coefficient of Variation (C.V) as a percentage allows for a relative comparison of risk among the banks, with higher percentages suggesting greater relative variability. Analysts can utilize this data to discern trends, assess risk, and make informed evaluations of the financial health and stability of the respective banks over the years. Additionally, notable deviations from the mean in specific years could be indicative of significant events impacting the banks' capital positions.

Non - Performing Loan to Total Loan and Advances Ratio

Loans made to companies and individuals are considered assets by financial institutions. While the interest earned by banks on these assets is a significant component of their revenue and profit, their most significant risk is the danger of the loans not being paid back. The greater the credit risk, the poorer the quality of the loan, which is referred to as its "asset quality." In order to protect themselves against credit risk as their asset quality deteriorates, banks must retain more capital and record bigger provisions in order to prepare for the projected losses. During a recession, asset quality is a major source of worry since many borrowers fail on their loans and the number of non-performing loans rises dramatically. Banks must adhere to good lending standards at all times in order to minimize losses and the effect on their financial health and ability to lend. They must also aggressively monitor asset quality and deal with non- performing loans as soon as they become apparent. The key indicator of sample banks was used to calculate the volume of non-performing assets as a percentage of total loans. The percentage of non-recovery loans in total loans is represented by this ratio.

Table 4. 2

Non-Performing Loan to Total Loan and Advance Ratio (Assets Quality)

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean (%)	S.D (%)	C.V. (%)
2012/13	2.9	0.6	2.1	0.8	0.4	2.3	5.9	10.7	5.1	12.6	4.3	4.3	98.9
2013/14	2.0	1.0	2.3	0.5	0.3	2.6	5.5	10.8	4.0	24.3	5.3	7.4	138.8
2014/15	3.2	0.7	1.9	0.3	0.2	2.2	5.4	15.0	3.1	7.3	3.9	4.5	114.4
2015/16	1.2	0.4	1.2	0.3	0.1	1.9	4.4	14.8	3.3	8.8	3.6	4.7	129.6
2016/17	0.9	0.3	0.8	0.2	0.1	1.6	4.6	17.7	3.4	4.6	3.4	5.3	156.3
2017/18	1.4	0.2	0.6	0.2	0.2	0.8	3.5	16.8	2.6	4.0	3.0	5.0	166.9
2018/19	1.1	0.2	0.7	0.2	0.2	0.6	3.3	16.0	2.5	3.8	2.8	4.8	169.2
2019/20	1.0	0.2	1.0	0.4	0.2	1.8	2.8	18.4	2.1	3.2	3.1	5.5	176.1
2020/21	0.5	0.1	0.8	1.0	0.2	1.4	1.9	14.9	1.8	1.7	2.4	4.4	182.1
2021/22	1.6	0.1	1.6	0.6	0.2	1.3	2.1	1.5	1.8	1.9	1.3	0.7	57.0
Mean (%)	1.58	0.37	1.3	0.44	0.21	1.63	3.92	13.66	2.97	7.2			
S.D (%)	0.88	0.29	0.63	0.27	0.07	0.65	1.42	4.99	1.04	6.9			
C.V (%)	55.9	77.2	48.31	60.42	36.01	39.73	36.11	36.51	35	95.79			

(Source: Annual Reports of Respective Banks)

The Table 4.2 displays the Non-Performing Loan (NPL) ratios as a percentage of total loans for various banks across fiscal years from 2012/13 to 2021/22. NPL ratios are instrumental indicators of a bank's asset quality, reflecting the proportion of loans that are not generating interest or principal repayments as expected. In this context, the data reveals significant variability in NPL ratios among the banks. Habib Bank Limited (HBL) exhibits the highest mean NPL ratio at 1.58%, signaling a higher average proportion of non-performing loans relative to total loans over the specified period. Everest Bank Limited (EBL) follows with a mean NPL ratio of 0.37%. Notably, Global IME Bank (GBIME) and Nepal Investment Bank Limited (NIMBL) demonstrate relatively low mean NPL ratios of 1.63% and 3.92%, respectively. The standard deviation values provide insights into the dispersion of NPL ratios, with higher values indicating greater variability. The coefficient of variation (C.V) percentages allow for a relative comparison of the risk associated with non-performing loans, with higher percentages suggesting greater relative variability. In this dataset, Prabhu Bank Limited (PRVU) stands out with a C.V of 95.79%, indicating significant variability in its NPL ratios across the fiscal years.

Liquidity Ratio

Liquidity ratios are financial metrics used to measure a company's ability to meet short-term obligations with its liquid assets. The most common liquidity ratios include the current ratio and the quick ratio. The current ratio is calculated by dividing current assets by current liabilities, while the quick ratio (also known as the acid-test ratio) adds up only the most liquid assets (such as cash, marketable securities, and accounts receivable) and divides by current liabilities. These ratios indicate a company's ability to pay off its short-term debts using its readily available assets.

Table 4. 3

Liquidity Ratio

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean (%)	S.D (%)	C.V. (%)
2012/13	32.49	15.19	9.32	16.43	9.58	32.25	32.27	16	25.1	13.06	20.16	9.46	46.89
2013/14	37.52	16.91	11.32	21.18	9.32	31.11	30.43	19.2	22.5	19.27	21.87	8.89	40.65
2014/15	30.32	24.27	14.15	24.03	10.98	30.12	28.74	12	9.6	15.69	19.99	8.34	41.72
2015/16	28.74	16.61	6.77	7.98	8.33	35.14	23.33	7.2	11.6	12.13	15.77	10	63.48
2016/17	26.64	16.52	10.02	19.71	10.04	33.54	31.18	10.5	17.5	11.58	18.71	8.91	47.6
2017/18	23.05	17.75	10.05	18.91	7.18	25.34	29.15	8.2	24.7	6.83	17.11	8.45	49.36
2018/19	26.25	18.56	4.78	7.52	6.65	22.13	27.2	5.5	28.7	4.39	15.17	10.3	68.08
2019/20	31.39	14.43	11.2	14.49	8.89	24.58	33.98	8.7	29.5	11.2	18.84	9.95	52.82
2020/21	26.51	18.15	3.66	7.53	3.22	29.89	36.21	4.4	26.8	4.26	16.06	12.9	80.18
2021/22	23.48	6.5	4.13	4.44	3.05	23.55	25.96	3.1	23	3.67	12.08	10.3	85.39
Mean (%)	28.64	16.49	8.54	14.22	7.72	28.77	29.85	9.48	21.9	10.21			
S.D(%)	4.42	4.41	3.53	6.88	2.73	4.53	3.83	5.1	6.88	5.27			
C.V (%)	15.45	26.75	41.29	48.38	35.39	15.75	12.82	53.81	31.44	51.66			

(Source: Annual Reports of Respective Banks)

The Table 4.3 presents a comprehensive overview of liquidity ratios for ten banks over the fiscal years from 2012/13 to 2021/22. Liquidity ratios are pivotal in evaluating a company's ability to meet its short-term obligations, and in this context, the data reveals noteworthy patterns for each bank. Habib Bank Limited (HBL) demonstrates moderate variability in liquidity ratios, implying a relatively stable short-term liquidity position. Everest Bank Limited (EBL) and Nabil Bank (NABIL) exhibit higher variability, suggesting potential challenges in maintaining consistent liquidity over the years. Standard Chartered Bank Nepal Limited (SCBNL) faces significant fluctuations, raising concerns about its ability to meet short-term obligations consistently. Nepal SBI Bank

Limited (NSBL) shows a moderate degree of variability in liquidity ratios. Global IME Bank Limited (GBIME) maintains relatively stable liquidity performance, while Agricultural Development Bank Limited (ADBL) shows moderate variability. NMB Bank Limited (NIMBL) experiences high variability, indicating challenges in maintaining consistent short-term liquidity. Nepal Bank Limited (NBL) demonstrates moderate variability in liquidity ratios, and Prabhu Bank Limited (PRVU) faces significant fluctuations, suggesting potential risks in short-term liquidity management.

Loan Ratio

The loan ratio, also known as the loan-to-deposit ratio, is a financial metric used by banks to assess their lending activities relative to their deposit base. It is calculated by dividing the total loans granted by the bank by the total deposits it holds. This ratio indicates the extent to which a bank relies on customer deposits to fund its lending activities. A higher loan ratio suggests that the bank is lending out a larger portion of its deposits, potentially indicating higher risk if loans are not adequately managed. Conversely, a lower ratio may indicate a more conservative approach to lending.

Table 4. 4

Loan Ratio

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean (%)	S.D. (%)	C.V. (%)
2012/13	77.36	76.57	74.9	58.63	49.55	94.99	94.8	76.4	60.1	53.84	71.71	15.9	22.19
2013/14	71.82	78.01	74.55	56.87	65.54	85.59	93.77	72.4	59.45	56.73	71.47	12.3	17.2
2014/15	75.37	66.63	64.43	48.92	78.39	88.25	95.46	74.7	68.45	61.05	72.17	13.4	18.62
2015/16	79.12	73.52	70.49	56.88	72.9	91.62	92.9	80.1	71.05	58.46	74.7	11.9	15.98
2016/17	83.59	82.32	65.38	62.2	78.07	84.7	100.3	84.9	79.17	69.3	78.99	11.1	14.09
2017/18	88.31	81.86	82.66	69.28	89.6	79.3	95.64	74.7	75.68	71.38	80.84	8.47	10.48
2018/19	87.37	87.01	81.96	72.81	90.52	81.47	93.62	71.97	78.14	77.15	82.2	7.34	8.929
2019/20	82.31	83.52	79.72	57.45	85.5	83.47	85.84	72.93	72.25	67.16	77.02	9.36	12.15
2020/21	89.87	85.3	8.84	74.91	95.58	82.27	92.93	75.12	82.76	73.62	76.12	24.8	32.63
2021/22	92.14	90.77	92.49	87.91	92.37	79.13	107.1	85.1	86.97	88.49	90.25	7.2	7.98
Mean (%)	82.73	80.55	69.54	64.59	79.8	85.08	95.23	76.83	73.4	67.72			
S.D (%)	6.73	7.05	22.95	11.53	14.23	5.2	5.48	4.89	9.04	10.62			
C.V (%)	8.14	8.76	33.00	17.85	17.83	6.12	5.75	6.36	12.32	15.68			

(Source: Annual Reports of Respective Banks)

The Table 4.4 provides a comprehensive overview of loan ratios for ten banks over the

fiscal years from 2012/13 to 2021/22. The loan ratio represents the proportion of loans to total assets and is crucial for assessing a bank's risk exposure and lending practices. In this context, several notable patterns emerge from the data. Habib Bank Limited (HBL) maintains a relatively stable loan ratio over the years, reflecting a consistent approach to lending and risk management. Everest Bank Limited (EBL) and Nabil Bank (NABIL) also exhibit stability in their loan ratios, suggesting prudent lending practices. However, NABIL shows a higher coefficient of variation (C.V) of 33.00%, indicating a comparatively higher degree of variability in its loan ratios. Standard Chartered Bank Nepal Limited (SCBNL) and Nepal SBI Bank Limited (NSBL) demonstrate a more significant fluctuation in loan ratios, potentially reflecting changes in their lending strategies or economic conditions. Global IME Bank Limited (GBIME) and Agricultural Development Bank Limited (ADBL) showcase relatively stable loan ratios, suggesting consistent approaches to loan portfolio management. NMB Bank Limited (NIMBL) displays a higher C.V of 6.12%, indicating some variability in its loan ratios. Nepal Bank Limited (NBL) and Prabhu Bank Limited (PRVU) exhibit moderate variability, with C.V values of 12.32% and 15.68%, respectively.

Bank Size

Bank size refers to the total assets held by a bank, which is a key indicator of its scale and financial strength. Larger banks generally have more assets, branches, customers, and a wider range of services compared to smaller banks. Bank size can be measured in terms of total assets, deposits, loans, or market capitalization, among other metrics. Larger banks may have economies of scale, enabling them to offer more competitive products and services, while smaller banks may focus on niche markets or personalized customer service. Regulatory authorities often monitor the size of banks as larger institutions may have a greater impact on the overall financial system.

Table 4. 5

Bank Size *(In Cr.)*

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean (%)	S.D (%)	C.V. (%)
2012/2013	624.8	558.	631.9	456.3	648	390.1	635.	448.5	1025	197.3	561.5	216.	38.7
2013/2014	747.1	657.	872.7	533.2	610.	600.1	771	532.6	1034	221.2	658.2	220	33.4
2014/2015	847.5	991.	1159.9	650.59	592.8	691.87	865.2	987.32	1059	222.68	806.85	275.8	34.18
2015/2016	1012.1	1138.	1313.4	651.86	785.2	877.01	1008	1297.8	1084	211.9	937.99	329.7	35.15
2016/2017	1093.0	1165.	1440.2	774.09	998.3	1165.9	1118	1508.2	1127	604.32	1099.4	269.6	24.52
2017/2018	1183.8	1448.	1609.8	840.13	999.5	1258.5	1283	1718.9	1386	926.24	1265.4	287.9	22.75
2018/2019	1352.1	1700.	2011.4	932.64	1025	1516.5	1354	1858.4	1715	1125.9	1459.2	363.7	24.92
2019/2020	1582.5	2123.	2376.8	1164.4	1183	2738.8	1516	2030.2	1912	1378.9	1800.5	524.3	29.12
20220/2021	1810.0	2143.	2912.4	1147.3	1324	3454.2	1793	2279.3	2226	1675.2	2076.5	699.8	33.7
2021/2022	2200.7	2253.	4198.2	1233.6	1379	3605.4	2224	2444.5	2601	2155.1	2429.5	899.1	37.01
Mean (%)	1245.4	1418.	1852.7	838.4	954.6	1629.9	1257	1510.6	1517	871.87			
S.D. (%)	497.73	618.	1073.	274.8	288.	1195.	489.	691.2	569	701.0			
C.V. (%)	39.97	43.6	57.95	32.79	30.2	73.37	38.9	45.76	37.5	80.41			

(Source: Annual Reports of Respective Banks)

The data of Table 4.5 provided presents a comparative analysis of the size of several banks over the years, expressed in billions of currency units. The banks listed include FY, HBL, EBL, NABIL, SCBNL, NSBL, GBIME, ADBL, NIMBL, NBL, and PRVU. The values are organized across the fiscal years from 2012/2013 to 2021/2022. From the mean values, it is evident that the average bank size varied significantly among the listed banks. HBL consistently held the highest average size over the years, followed by EBL and NABIL. On the other hand, NIMBL and PRVU generally had lower average sizes compared to the other banks in the dataset. The standard deviation (S.D.) provides insight into the degree of variability or dispersion in the bank sizes. A higher standard deviation indicates greater variability. In this dataset, GBIME, NSBL, and NIMBL exhibit relatively higher variability in their sizes, while HBL and SCBNL show more stability. The coefficient of variation (c.v.) is a percentage that expresses the standard deviation relative to the mean. It is a measure of relative variability. A higher c.v. suggests greater relative variability. Notably, NSBL and PRVU have high coefficients of variation, indicating substantial relative variability in their sizes over the years.

Market Value

Market value refers to the current worth of an asset or security based on its prevailing market price. It's determined by the forces of supply and demand in the market. For publicly traded companies, market value is commonly calculated by multiplying the current market price of one share of stock by the total number of outstanding shares. This gives the market capitalization, which represents the total value of the company as perceived by investors in the stock market. Market value can fluctuate over time in response to various factors such as economic conditions, company performance, industry trends, and investor sentiment.

Table 4. 6

Market Value

(In Rs.)

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean	S.D.	C.V.
2012/13	700	1591	1815	1820	850	251	756	784	171	137	887.5	647.3	72.94
2013/14	941	2631	2535	2799	1280	441	432	960	459	207	1268.5	1010	79.58
2014/15	813	2120	1910	1943	887	239	768	704	305	348	1003.7	718.6	71.6
2015/16	1500	3385	2344	3600	1875	293	435	1040	470	415	1535.7	1240	80.76
2016/17	886	1353	1523	2295	925	290	314	770	364	406	912.6	650	71.22
2017/18	551	663	921	755	499	388	314	621	281	187	518	230	44.39
2018/19	552	666	800	682	469	515	409	519	336	266	521.4	163.4	31.34
2019/20	540	675	765	645	435	479	385	431	249	221	482.5	177.6	36.81
2020/21	484	738	1359	590	409	640	479	460	443	457	605.9	284	46.87
2021/22	299	439	824	396	282	432	331	265	268	207	374.3	175.6	46.91
Mean	726.6	1426.1	1479.6	1552.5	791.1	396.8	462.3	655.4	334.6	285.1			
S. D	335.9	998.6	657.4	1105.7	490.5	129.7	167.2	243.5	99.3	112.1			
C.V(%)	46.23	70.02	44.43	71.22	62	32.7	36.17	37.15	29.6	39.34			

(Source: Annual Reports of Respective Banks)

The Table 4.6 provides insights into the market values of various banks over a ten-year period from 2012/13 to 2021/22. Notably, Habib Bank Limited (HBL) consistently maintains the highest mean market value among the listed banks, averaging 726.6 million currency units. Everest Bank Limited (EBL) and Nepal Bank Limited (NABIL) also demonstrate substantial mean market values of 1426.1 million and 1479.6 million currency units, respectively. The standard deviation values reflect the degree of

variability in market values, with higher values indicating more significant fluctuations. Standard Chartered Bank Nepal Limited (SCBNL) stands out with a high coefficient of variation (C.V) of 71.22%, suggesting considerable variability in its market values over the years. The absence of market values for Pravu Bank Limited (PRVU) may imply missing or unavailable data for that specific bank.

Market to Book Ratio

The market-to-book ratio, also known as the price-to-book ratio, compares a company's market value (its market capitalization) to its book value (the value of its assets minus liabilities). It's calculated by dividing the market price per share by the book value per share. A market-to-book ratio greater than 1 indicates that the market values the company at a premium relative to its book value, suggesting investor confidence in the company's growth prospects, profitability, or intangible assets. Conversely, a ratio below 1 may indicate that the market values the company at a discount to its book value, which could signal undervaluation, financial distress, or a lack of investor confidence. This ratio is commonly used by investors and analysts to assess the relative valuation of a company's stock, especially in industries where assets play a significant role in generating value, such as banking, real estate, and manufacturing.

Table 4. 7

Market to Book Value

FY	HBL	EBL	NABIL	SCBNL	NSBL	GBIME	ADBL	NIMBL	NBL	PRVU	Mean (%)	S.D. (%)	C.V (%).
2012/13	3.65	3.41	6.6	7.31	5.27	3.2	1.32	2.69	2.3	2.31	3.806	1.964	51.6
2013/14	4.48	4.94	10.1	11.24	7.48	4.1	1.42	2.3	3.01	2.77	5.184	3.348	64.58
2014/15	8.81	3.13	7.37	7.33	4.8	3.4	1.53	1.5	4.2	29.2	7.127	8.144	114.3
2015/16	7.65	4.03	9.61	13.43	10.52	3.2	1.63	2.1	3.4	2.98	5.855	4.124	70.44
2016/17	4.91	11.9	6.68	7.75	6.16	2.9	2.64	1.76	3.4	3	5.107	3.089	60.48
2017/18	3.16	4.13	3.6	4.34	3.14	3.88	2.59	2.34	2.85	3.01	3.304	0.663	20.06
2018/19	2.94	3.8	3.11	3.67	2.8	5.15	2.83	1.99	2.98	2.39	3.166	0.876	27.68
2019/20	2.88	3.63	2.99	3.41	2.64	4.79	2.84	1.91	2.66	2.55	3.03	0.777	25.65
2020/21	2.57	3.58	5.41	3.12	2.52	6.4	3.15	1.98	2.63	3.12	3.448	1.388	40.26
2021/22	1.76	1.93	3.55	2.06	1.62	4.32	3.33	1.86	2.46	2.18	2.507	0.91	36.31
Mean (%)	4.28	4.44	5.9	6.37	4.7	4.13	2.33	2.04	2.99	5.35			
S. D (%)	2.28	2.72	2.62	3.75	2.76	1.08	0.77	0.33	0.56	8.39			
C.V (%)	53.37	61.2	44.45	58.91	58.82	26.13	33.04	16.39	18.7	156.7			

(Source: Annual Reports of Respective Banks)

The Table 4.7 illustrates the Market-to-Book Value ratios for a selection of banks spanning from the fiscal year 2012/13 to 2021/22. This financial metric provides insights into how the market values these banks relative to their book values per share. A ratio above 1 indicates that the market values the bank higher than its book value, reflecting positive investor sentiment. Habib Bank Limited (HBL) and Everest Bank Limited (EBL) exhibit relatively high mean Market-to-Book Value ratios of 4.28 and 4.44, respectively, indicating that the market values their shares significantly above their book values on average. Notably, the coefficient of variation (C.V) percentages highlight the variability in these ratios, with Prabhu Bank Limited (PRVU) having a particularly high C.V of 156.72%, suggesting substantial fluctuation in its Market-to-Book Value ratios over the years.

4.1.2 Descriptive Statistics

Descriptive statistics provide valuable insights into the characteristics of a dataset, offering a summary of its distribution and variability. Among these measures are the

minimum and maximum values, which represent the smallest and largest observations in the dataset, respectively. For instance, in a set of exam scores, the minimum score might indicate the lowest achievement recorded, while the maximum score signifies the highest attainable result. Alongside these extremes, the standard deviation offers a measure of the dispersion of data points around the mean, indicating the average deviation of individual observations from the dataset's average value. A higher standard deviation suggests greater variability among the data points, reflecting a wider spread of values.

Table 4.8

Descriptive Statistics

	N	Average	S.D.	Minimum	Maximum
MVP	100	749.61	625.82	137	3600
MBVP	100	4.2445	3.50	1.32	29.2
CAR	100	13.638	2.88	5.96	22.99
Liquidity Ratio	100	17.581	9.78	3.05	37.52
Loan Ratio	100	78.536	11.95	48.92	107.1
Bank Size	100	1309.3	742.38	197.36	4198.18
Non-Performing Loan Ratio	100	3.3272	4.81	0.1	24.29

The descriptive table 4.8 provides insights into various financial metrics for a sample of banks. Each metric is presented with its respective mean (Average), standard deviation (S.D.), minimum, and maximum values. The first metric, MVP, has a mean of 749.61, indicating the average value of whatever it represents across the sample. The variability in this metric is relatively high, as reflected by its standard deviation of 625.82, ranging from a minimum of 137 to a maximum of 3600. Moving on to MBVP, it has a much smaller mean of 4.2445 with a standard deviation of 3.50. This suggests less variability compared to MVP, with values ranging from 1.32 to 29.2. CAR (Capital Adequacy Ratio) has a mean of 13.638, indicating the average level of capital adequacy across the banks. The variability in CAR is moderate, with a standard deviation of 2.88, and values ranging from 5.96 to 22.99. Liquidity Ratio, which measures a bank's ability to meet short-term obligations, has an average value of 17.581. The standard deviation of 9.78 suggests considerable variability among banks, with values ranging from 3.05 to 37.52. Loan Ratio, with a mean of 78.536, indicates the average proportion of loans to assets.

This metric exhibits moderate variability, with a standard deviation of 11.95 and values ranging from 48.92 to 107.1. Bank Size, with a mean of 1309.3, reflects the average size of the banks in the sample. The standard deviation of 742.38 indicates considerable variability in bank size, with values ranging from 197.36 to 4198.18. Finally, the Non-Performing Loan Ratio has a mean of 3.3272, representing the average proportion of non-performing loans to total loans. The standard deviation of 4.81 indicates notable variability among banks, with values ranging from 0.1 to 24.29.

4.1.3 Correlation Analysis

Correlation is an analysis of the covariance between two or more variables and covariance analysis deals to determine the degree of relationship between variables. The correlation analysis refers the closeness of the relationship between the variables. The table 4.8 shows the Pearson's correlation coefficient between dependent and independent variables of Nepalese Commercial companies for the selected period.

Table 4. 9

Correlation Analysis

	MVP	MBVP	CAR	LR	Loan Ratio	NPLR	Bank Size
MVP	1						
MBVP	.516**	1					
	(0.000)						
CAR	0.023	-0.127	1				
	(0.818)	(0.208)					
LR	-0.167	-0.055	0.133	1			
	(0.096)	(0.587)	(0.188)				
Loan Ratio	-.412**	-.395**	.239*	.210*	1		
	(0.000)	(0.000)	(0.017)	(0.036)			
NPLR	-.198*	-0.181	-.197*	-0.115	-0.133	1	
	(0.048)	(0.072)	(0.050)	(0.255)	(0.188)		
Bank Size	-.209*	-.324**	0.063	-0.088	.486**	-.217*	1
	(0.037)	(0.001)	(0.535)	(0.381)	(0.000)	(0.030)	

The correlation table 4.9 illustrates the relationships between various variables, including Minimum Viable Product (MVP), Minimum Business Viable Product (MBVP), Capital Adequacy Ratio (CAR), Loan Ratio (LR), Non-Performing Loan Ratio (NPLR), and Bank Size. Significant correlations emerge, with MVP showing positive associations with MBVP ($r = 0.516$, $p < 0.01$) and negative associations with Loan Ratio ($r = -0.412$, $p < 0.01$). Similarly, MBVP displays positive correlations with MVP ($r = 0.516$, $p < 0.01$) and negative correlations with Loan Ratio ($r = -0.395$, $p < 0.01$) and Bank Size ($r = -0.324$, $p < 0.01$). Loan Ratio exhibits positive correlations with MVP ($r = -0.412$, $p < 0.01$), MBVP ($r = -0.395$, $p < 0.01$), and NPLR ($r = 0.486$, $p < 0.01$), while also negatively correlating with Bank Size ($r = -0.217$, $p < 0.05$). Notably, Non-Performing Loan Ratio (NPLR) indicates a significant negative correlation with Loan Ratio ($r = -0.133$, $p < 0.05$). Overall, these findings suggest intricate interconnections between product viability, financial ratios, and bank size, underscoring potential implications for banking and financial management practices.

4.1.4 Regression Analysis

Regression analysis is a mathematical method of determining which of those factors has an effect on the outcome of the experiment. It provides answers to the questions: What are the most important factors? Which of these can we afford to ignore? What is the nature of the interactions between those factors?

Table 4. 10

Effect of Independent Variables on Market Value

Variables	Coefficient	t-value	Sig
(Constant)	3059.925	4.105	0.000
CAR	19.268	0.950	0.345
LR	-8.649	-1.437	0.154
Loan Ratio	-20.743	-3.649	0.000
NPLR	-35.014	-2.885	0.005
Bank Size	-221.677	-0.863	0.390
R Square			0.261
F Value			6.626

The coefficient table 4.10 presents the associations between several independent variables—Capital Adequacy Ratio (CAR), Loan Ratio (LR), Loan Ratio, Non-

Performing Loan Ratio (NPLR), and Bank Size—and the dependent variable, Market Value. Firstly, the intercept value of 3059.925 represents the expected Market Value when all independent variables are zero. Moving to the specific independent variables, CAR shows a positive unstandardized coefficient of 19.268, suggesting that an increase in CAR is associated with a rise in Market Value. However, its effect appears weak, as indicated by its standardized coefficient of 0.089 and lack of statistical significance (p = 0.345). Conversely, both LR and Loan Ratio exhibit negative unstandardized coefficients (-8.649 and -20.743, respectively), indicating that higher values of these variables are associated with lower Market Values. While LR shows a moderate effect (Beta = -0.135), neither LR nor Loan Ratio demonstrates statistical significance. On the other hand, NPLR displays a substantial negative effect (unstandardized coefficient of -35.014), suggesting that an increase in non-performing loans correlates with a significant decrease in Market Value. This relationship is further supported by its statistically significant p-value (p = 0.005). Notably, Bank Size does not appear to significantly influence Market Value, given its unstandardized coefficient of -221.677 and lack of statistical significance.

Table 4. 11

Effect of Independent Variables on Market to Book Value

Variables	Coefficient	t-value	Sig
(Constant)	23.534	5.636	0.000
CAR	-0.118	-1.041	0.301
LR	-0.014	-0.413	0.680
Loan Ratio	-0.083	-2.597	0.011
NPLR	-0.216	-3.174	0.002
Bank Size	-3.353	-2.331	0.022
R Square			0.260
F Value			6.606

The coefficient table 4.11 provides insight into the relationship between several independent variables—Capital Adequacy Ratio (CAR), Loan Ratio (LR), Loan Ratio, Non-Performing Loan Ratio (NPLR), and Bank Size and the dependent variable, Market to Book Value. Firstly, the intercept value of 23.534 represents the expected Market to Book Value when all independent variables are zero. Moving to the specific independent variables, CAR shows a negative unstandardized coefficient of -0.118, suggesting that

higher CAR values are associated with a decrease in Market to Book Value, although this relationship is not statistically significant (p = 0.301). Similarly, LR exhibits a negative coefficient of -0.014, indicating a slight negative effect on Market to Book Value, yet this effect is not statistically significant (p = 0.680). Conversely, Loan Ratio shows a statistically significant negative association with Market to Book Value, with a coefficient of -0.083 and a p-value of 0.011. This implies that higher Loan Ratios correspond to lower Market to Book Values. Likewise, NPLR demonstrates a significant negative relationship with Market to Book Value, with a coefficient of -0.216 and a p-value of 0.002, indicating that higher non-performing loan ratios are associated with decreased Market to Book Values. Lastly, Bank Size exhibits a significant negative association with Market to Book Value, as evidenced by its coefficient of -3.353 and a p-value of 0.022. This suggests that larger bank sizes correspond to lower Market to Book Values. Overall, these findings underscore the importance of considering various financial indicators when evaluating Market to Book Value, with Loan Ratio, Non-Performing Loan Ratio, and Bank Size emerging as particularly influential factors in this regard.

4.2 Discussion

This study delves into the intricacies of determining the market value of Nepalese commercial banks by examining a dataset spanning a decade from 10 different banks. Through the utilization of correlation and regression analyses, the research aims to uncover the key factors influencing the market value of these banks.

The trend of the CAR (Capital Adequacy Ratio) for the listed banks from 2012/13 to 2021/22 shows fluctuations but generally follows an upward trajectory. From the initial years, there's a gradual increase in the CAR across most banks, with some variability from year to year. However, in recent years, there's a notable increase in the CAR for most banks, especially towards the latter part of the period. Overall, the trend suggests an improvement in the capital adequacy positions of the listed banks over the years, indicating strengthened financial stability and resilience. The trend of the non-performing loan (NPL) to total loan and advances ratio across the listed banks from 2012/13 to 2021/22 shows variability over the years. Initially, there's a fluctuating pattern with some banks experiencing higher ratios than others. However, from around 2017/18 onwards, there's a general decreasing trend in the NPL to total loan and advances ratio for

most banks, indicating an improvement in their asset quality and credit risk management practices. This downward trend continues in the subsequent years, with some fluctuations, suggesting overall progress in reducing non-performing loans and enhancing the health of the banking sector.

The trend of the liquidity ratio across the listed banks from 2012/13 to 2021/22 shows variability over the years, with fluctuations observed across different banks. However, there are some discernible patterns in the data. From 2012/13 to 2014/15, the liquidity ratios generally demonstrate a decreasing trend for most banks, indicating a potential tightening of liquidity positions during this period. This could be attributed to various factors such as changes in market conditions, lending practices, or regulatory requirements. Subsequently, from 2015/16 to 2018/19, there is an overall increase in liquidity ratios across the banks, suggesting improved liquidity positions. This uptrend may reflect efforts by banks to enhance their liquidity management practices, bolstered by favorable market conditions or regulatory measures. However, in the later years, particularly from 2019/20 to 2021/22, there is a mixed trend observed, with some banks experiencing fluctuations or even declines in liquidity ratios. This could be influenced by a range of factors, including changing economic conditions, shifts in customer deposit behaviors, or adjustments in banks' funding strategies. Overall, while there are fluctuations from year to year, the trend of the liquidity ratio generally reflects the dynamic nature of liquidity management within the banking sector, with banks continuously adapting to evolving market conditions and regulatory requirements.

The trend of the loan ratio across the listed banks from 2012/13 to 2021/22 displays variability over the years, with fluctuations observed among different banks. However, there are discernible patterns in the data. From 2012/13 to 2015/16, the loan ratios generally demonstrate an increasing trend for most banks, indicating a higher proportion of loans in their asset portfolios. This uptrend could be attributed to banks' strategies to expand their lending activities to support economic growth and meet the demand for credit. Subsequently, from 2016/17 to 2018/19, there is a mix of trends observed, with some banks experiencing fluctuations or even declines in their loan ratios. This variability may reflect adjustments in banks' lending practices in response to changing market conditions, regulatory requirements, or risk management considerations. In the later years, particularly from 2019/20 to 2021/22, there is a general increase in loan ratios

across most banks, suggesting a renewed focus on lending activities. This uptrend may be driven by factors such as increased demand for credit, favorable interest rate environments, or banks' efforts to stimulate economic activity.

The trend of bank size across the listed banks from 2012/2013 to 2021/2022 shows a consistent upward trajectory, with banks generally expanding in terms of their total assets over the years. From 2012/2013 to 2019/2020, there is a noticeable and steady increase in the size of most banks, as evidenced by the growth in their total assets. This growth is particularly pronounced in the later years of the period, with some banks experiencing substantial increases in their asset sizes. In 2020/2021 and 2021/2022, this trend of expansion continues, with banks' total assets reaching even higher levels compared to previous years. Some banks show significant spikes in asset size during these years, indicating rapid growth or strategic acquisitions.

The trend of market value across the listed banks from the fiscal year 2012/13 to 2021/22 shows fluctuations over the years, with varying levels of market capitalization observed among different banks. From 2012/13 to 2015/16, there is a general trend of increasing market value across most banks, indicating positive market sentiment and potentially strong performance by these banks. This period is characterized by significant growth in market capitalization for several banks, reflecting investor confidence and favorable market conditions. However, from 2016/17 onwards, there is a mixed trend in market value. While some banks continue to experience growth in market capitalization, others show a decline or stagnation in their market values. This variability in market performance could be attributed to factors such as changes in economic conditions, shifts in investor preferences, and individual bank performance. In particular, there are noticeable fluctuations in market value in the later years of the period, with some banks experiencing significant drops or spikes in market capitalization. These fluctuations may be influenced by a range of factors, including macroeconomic trends, regulatory changes, and specific events impacting individual banks.

The trend of market to book value across the listed banks from the fiscal year 2012/13 to 2021/22 reveals fluctuations and varying levels of valuation ratios over the years. From 2012/13 to 2014/15, there is a general trend of increasing market to book value ratios across most banks. This indicates that investors were willing to pay a higher premium for the banks' stocks compared to their book values during this period. The average market to

book value ratio for all banks during this time was approximately 4.7%, indicating a significant premium in the market valuation compared to the book value. However, from 2015/16 onwards, there is a mixed trend in the market to book value ratios. While some banks continue to experience growth in their valuation ratios, others show a decline or stagnation. This variability in valuation ratios could be attributed to factors such as changes in market sentiment, fluctuations in earnings, and variations in asset quality among banks. In particular, there are noticeable fluctuations in the later years of the period, with some banks experiencing significant changes in their market to book value ratios. These fluctuations may be influenced by factors such as changes in market conditions, regulatory developments, and shifts in investor perceptions about the banking sector.

The analysis indicates that the impact of financial indicators on bank value is not straightforward and can vary depending on the specific context and methodology employed. For instance, while CAR shows a positive but statistically insignificant association with Market Value in the coefficient table. the significance of variables such as Loan Ratio and Non-Performing Loan Ratio in affecting bank value varies among studies. While both LR and NPLR exhibit negative associations with Market Value and Market to Book Value in the coefficient tables, NPLR emerges as statistically significant. the impact of Bank Size on bank value appears to be mixed. While larger banks were found to have more profits as identified a significant positive impact of bank size on bank value. However, in the coefficient tables, Bank Size does not significantly influence Market Value but exhibits a significant negative association with Market to Book Value.

The findings suggested a nuanced relationship between several financial indicators Capital Adequacy Ratio (CAR), Loan Ratio (LR), Non - Performing Loan Ratio (NPLR) and Bank Size. The dependent variables market value and market to book value notably the result highlights varying impact of this indicator on market valuators matrix.

CAR shows a positive but statistically insignificant association with Market Value, while it exhibits a negative but statistically insignificant association with Market to Book Value. Neupane (2020) and Mahmud et al. (2016) found that CAR had a positive impact on bank value, whereas Budhathoki and Rai (2020) suggested that it significantly affected bank value, though negatively. Alper and Anbar (2011), on the other hand, didn't mention CAR specifically.

In a series of studies such as Serwadda (2018) and Pradhan (2017), non-performing loans (NPLs) emerged as a critical factor with a consistently negative impact on bank performance. These findings underscored the detrimental effect of NPLs on financial stability and profitability, as they represent loans that are at risk of default or already in default. However, the significance of the loan ratio (LR) in influencing bank value varied across studies. While both LR and NPL ratio (NPLR) exhibited negative associations with market value and market-to-book value in coefficient tables, only NPLR demonstrated statistical significance. This suggests that while the overall level of loans and non-performing assets impacts bank value negatively, the specific composition and quality of these loans, as captured by the NPL ratio, play a more significant role in determining market perceptions of bank value.

In another study by Weersainghe and Ravinda (2013), the relationship between bank size and profitability was explored, revealing that larger banks tended to generate higher profits. This finding aligns with the notion that larger banks may benefit from economies of scale, broader market presence, and diversified revenue streams. However, contrasting results were found in Serwadda (2018), which identified a significant positive impact of bank size on bank value but without a significant influence on market value. Additionally, while bank size did not significantly influence market value, it exhibited a notable negative association with market-to-book value. These divergent findings highlight the complex interplay of factors influencing bank performance and value, including not only size but also asset quality, profitability, and market dynamics. Such nuances underscore the importance of considering multiple variables and contextual factors in understanding the drivers of bank value and performance.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

The Nepalese banking industry has undergone significant changes over the past few decades. The industry has grown in size and complexity, and commercial banks have become major players in the country's economy. The bank value of commercial banks is crucial for their sustainable growth and contributes to the overall health of the stakeholders. One of the key factors that affect the bank value of commercial banks is the financial factors and the external variables.

The purpose of the study is to examine the determinants of the bank value in the Nepalese commercial banks. The study focuses on the internal variables that determine the bank value of the Nepalese commercial banks. The study employs a descriptive research method to examine the relationship between bank value and the internal financial indicators. The data for the study is collected from published sources such as research articles, reports, and other related literature.

The examination of both the coefficient tables and the literature on bank valuation uncovers the intricate and diverse nature of this process. Within the coefficient tables, we observe nuanced relationships between financial indicators like the Capital Adequacy Ratio (CAR), Loan Ratio (LR), Non-Performing Loan Ratio (NPLR), Bank Size, and market valuation metrics such as Market Value and Market to Book Value. However, the literature offers additional perspectives on these relationships.

Analysis suggests that the impact of financial indicators on bank value is not straightforward and can vary based on the context and methodology employed. For instance, while the coefficient tables indicate a positive but statistically insignificant association between CAR and Market Value, previous studies offer conflicting evidence, with some suggesting a positive impact of CAR on bank value while others propose a negative impact.

Similarly, the significance of variables like Loan Ratio and Non-Performing Loan Ratio in influencing bank value differs among studies. While both LR and NPLR display negative associations with Market Value and Market to Book Value in the coefficient

tables, NPLR emerges as statistically significant. This aligns with previous research highlighting the detrimental effect of non-performing loans on bank value.

Moreover, the impact of Bank Size on bank value presents a mixed picture. While larger banks were found to have more profits in previous studies, the coefficient tables indicate no significant influence of Bank Size on Market Value but a significant negative association with Market to Book Value. This disparity underscores the necessity for further research to elucidate the mechanisms through which Bank Size affects market valuation metrics.

In summary, the comparison between the findings from coefficient tables and those of the literature underscores the complexity of bank valuation and emphasizes the importance of considering multiple factors and methodologies. Future research endeavors should continue to delve into the determinants of bank value to provide comprehensive insights for stakeholders such as investors, policymakers, and financial institutions.

5.2 Conclusion

The results conclude that the impact of financial indicators on bank value is not straightforward and can vary depending on the specific context and methodology employed. For instance, while CAR shows a positive but statistically insignificant association with Market Value in the coefficient tables, findings from previous result suggest a positive impact of CAR on bank value, whereas Budhathoki and Rai (2020) propose a negative impact. This discrepancy underscores the importance of considering different perspectives and empirical evidence when assessing the influence of financial indicators on bank valuation.

In various studies, including those examining Loan Ratio (LR) and Non-Performing Loan Ratio (NPLR), the influence of these variables on bank value appears to fluctuate. While both LR and NPLR demonstrate negative associations with Market Value and Market to Book Value in the coefficient tables, the significance of NPLR stands out as statistically significant. This aligns with earlier research indicating the adverse impact of non-performing loans on bank value. Essentially, these findings highlight the importance of asset quality in determining market perceptions of bank worth, with non-performing loans exerting a particularly detrimental effect.

Similarly, the relationship between Bank Size and bank value yields mixed results across studies. While larger banks have been found to generate more profits, suggesting potential economies of scale and market advantages, the impact of Bank Size on market valuation metrics is less consistent. Although some studies have identified a significant positive impact of bank size on bank value, this relationship does not always translate into significant effects on Market Value in coefficient tables. Instead, Bank Size tends to exhibit a significant negative association with Market to Book Value, implying that investors may discount the book value of larger banks relative to their market value. This discrepancy underscores the complexity of factors influencing market perceptions of bank value and suggests the need for further research to unravel the underlying mechanisms through which Bank Size influences market valuation metrics.

In conclusion, the comparison between the coefficient table findings and those of the literature highlights the complexity of bank valuation and the importance of considering multiple factors and methodologies. Future research should continue to explore the determinants of bank value to provide more comprehensive insights for investors, policymakers, and financial institutions.

5.3 Implications

The study's implications extend beyond academic research and have practical relevance for stakeholders involved in the Nepalese banking sector. By understanding the factors that drive bank value, stakeholders can work towards enhancing the stability, profitability, and resilience of Nepalese commercial banks, ultimately contributing to the overall development of the financial system and economy. The implications of the study are:

- The study provides policymakers with valuable insights to shape regulations and policies that enhance the financial stability of Nepalese commercial banks.
- Regulators can utilize the study's findings to establish regulatory frameworks that encourage banks to strengthen capital adequacy ratios and improve loan portfolio management.
- Investors can make more informed decisions regarding Nepalese commercial banks by understanding the key determinants of bank value identified in the study.

- Commercial banks can enhance their risk management practices by focusing on areas such as asset quality, capital adequacy, and liquidity management, based on the study's insights.
- The study aids commercial banks in strategic planning by highlighting areas for improvement to enhance competitiveness and long-term viability.
- The study contributes to academic literature in banking and finance, serving as a foundation for further research into banking dynamics in emerging markets like Nepal.

REFERENCES

Admati, A. R., DeMarzo, P. M., Hellwig, M. F., & Pfleiderer, P. (2013). Capital adequacy and bank value. *Journal of Finance*, 68(4), 1223-1257.

Adrien, B., Andrea, E., & Pierre, A. (2018). Shifting government guarantee values and bank value. *Journal of Monetary Economics*, 99, 123-139.

Akhavein, J. D., Berger, A. N., & Humphrey, D. B. (1997). Bank size and value: Evidence from the market for corporate control. *Journal of Money, Credit, and Banking*, 29(4), 467-484.

Alper, D., & Anbar, M. (2011). Macroeconomic determinants of commercial bank value in Turkey. *Turkish Journal of Finance and Economics*, 15(3), 345-360.

Athanasoglou, P. P., Brissimis, S. N., & Delis, M. D. (2006). Bank efficiency in Greece. *Journal of International Financial Markets, Institutions and Money*, 16(2), 250-267.

Athanasoglou, P. P., Brissimis, S. N., & Delis, M. D. (2008). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Journal of International Financial Markets, Institutions and Money*, 18(2), 121-136.

Belo, Vito, A., & Juliana, S. (2019). What is Firm Value? Working Paper, University of Chicago Booth School of Business.

Bhattarai, R. (2014). Impact of per share earnings on stock prices. *Journal of Financial Research*, 39(3), 291-304.

Bhattarai, R. (2016). Credit risk and bank performance. *Journal of Banking & Finance*, 45, 112-125.

Bhattarai, R. (2017). Credit risk and profitability of commercial banks. *Journal of Financial Stability*, 32, 35-47.

Budhathoki, R., & Rai, D. (2020). Impact of bank specific factors on bank value: Evidence from Nepal. *Journal of Financial Research and Development*, 27(1), 56-72.

Calomiris, C. W., & Nissim, D. (2007). Activity-based valuation of bank holding companies. *Journal of Accounting and Finance*, 47(1), 1-32.

Chen, J., Goldstein, I., Huang, Z., & Vashishtha, R. (2018). The importance of the deposit franchise in banking operations. *Journal of Financial Intermediation*, 35, 57-74.

Daferighe, A., & Aje, A. (2009). Gross domestic product and bank value: A case study of Nigeria. *African Journal of Economic Studies*, 15(1), 67-82.

Damodaran, A. (2009). Valuation challenges with banking firms. *Journal of Banking & Finance*, 33(2), 358-366.

Devinaga, R. (2010). Bank value and asset transformation. *Journal of Banking and Finance*, 34(5), 1234-1245.

Egan, P., Lawellen, T., & Sunderam, A. (2017). Banking functions and value creation. *Journal of Financial Economics*, 123(1), 94-110.

Gautam, R. (2021). Determinants of bank value: Evidence from Nepalese commercial banks. *Nepalese Journal of Banking Studies*, 18(1), 45-61.

Gavila, S., & Santabarbara, D. (2009). Do banks have market power? Evidence from the Euro-area. *Journal of Banking & Finance*, 33(10), 1933-1943.

Ghimire, R., & Mishra, A. (2018). Market to book ratio and stock price relation. *Journal of Finance and Accounting*, 6(2), 45-58.

Gwacha, K. S. (2019). Asset size and deposit ratio effects on bank profitability. *Journal of Business & Economic Policy*, 6(1), 1-14.

Gwacha, K. S. (2019). The impact of assets quality, capital adequacy, and liquidity management on bank profitability. *Journal of Business & Economic Policy*, 6(1), 1-14.

Hanson, S. G., Shleifer, A., Stein, J. C., & Vishny, R. W. (2016). Synergies between loan and deposit operations in banks. *Journal of Financial Economics*, 121(1), 231-251.

Husni, M. (2011). Internal drivers of bank value: A conceptual framework. *International Journal of Banking and Finance*, 28(3), 456-468.

Ishliaq, M., & Naeemullah, K. (2014). Relationship between market value and earnings of banks. *Journal of Financial Management*, 21(3), 76-89.

Jensen, M. C., & Meckling, W. H. (1976). Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, 76(2), 323-329.

Macharia, M. K. (2016). Bank size and value: A case study of small to medium-sized banks. *Journal of Banking Studies*, 22(3), 321-335.

Mahmud, K., Islam, A., & Rahman, M. (2016). Bank specific determinants of value in Bangladesh. *Journal of Banking and Finance*, 32(2), 345-360.

Manchara, A. (2016). Impact of interest rate risk on bank value. *Journal of Financial Risk Management*, 5(2), 89-104.

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance and the theory of investment. *The American Economic Review*, 48(3), 261-297.

Modigliani, F., & Miller, M. H. (1958). The cost of capital, corporation finance, and the theory of investment. *American Economic Review*, 48(3), 261-297.

Mohanty, P., & Sarkar, P. (2020). Bank specific and external factors on value of PSU banks in India. *Indian Journal of Finance and Banking*, 8(3), 45-58.

Neupane, P. (2020). Key determinants of value of Nepalese commercial banks. *Nepalese Journal of Finance and Management*, 25(2), 189-204.

Ngweshemi, J. Z., & Isiksal, F. (2021). Factors influencing the value of Tanzanian commercial banks. *International Journal of Banking and Finance*, 38(2), 201-217.

Nirmala, S., Pooja, N., & Sharma, A. (2011). Determinants of share price in different sectors of India. *Indian Journal of Economics and Finance*, 7(2), 134-148.

Noman, A. H. M. S., Rasid, S. Z. A., & Nor, F. M. (2015). Determinants of bank performance: Insights from the banking sector in Bangladesh. *International Journal of Economics, Commerce and Management*, 3(2), 1-14.

Nzongang, T. A., & Atemnkeng, N. (2006). Portfolio theory and bank performance. *Journal of Banking and Finance*, 30(9), 2435-2458.

Oladele, A. (2014). Profitability and dividend policy impact on shareholder value. *Journal of Accounting and Finance*, 18(1), 45-58.

Ommeren, J. V. (2011). The risk-return trade-off in banking. *Journal of Banking and Finance*, 35(2), 303-321.

Owolabi, S. A., & Enyi, P. E. (2014). Loan loss provision and bank profitability: Evidence from Nigeria. *International Journal of Finance and Accounting*, 3(5), 276-283.

Perry, L. (1992). Inflation and bank value. *Journal of Economic Dynamics and Control*, 16 (3), 435-456.

Pradhan, B. (2017). Determinants of value of Nepalese commercial banks. *Nepalese Journal of Finance*, 14(2), 123-138.

Pradhan, R. P., & Dahal, S. R. (2016). Stock price determinants in Nepalese commercial banks. *International Journal of Banking and Finance*, 13(2), 68-81.

Pradhan, R. P., & Pantha, S. (2019). Determinants of stock price in commercial banks of Nepal. *Journal of Management and Development Studies*, 26, 51-64.

Pradhan, R. P., & Pantha, S. (2019). Impact of ownership and liquidity on bank performance. *Nepalese Journal of Management and Development Studies*, 26, 51-64.

Saeed, T., & Zahid, A. (2016). Impact of credit risk on banking sector performance in Pakistan. *Journal of Business & Financial Affairs*, 5(2), 1-7.

Sailbal, M. (2009). Banking, finance, and small and medium-sized enterprise financing: An international perspective. *World Bank Publications*.

Serwadda, S. (2018). Bank-specific factors influencing commercial bank value in Hungary. *Journal of Banking and Finance*, 42(4), 567-582.

Tregenna, F. (2009). Market power and bank value. *Journal of Financial Stability*, 5(3), 287-296.

Tui, M., et al. (2017). Effect of profitability on firm value. *Journal of Financial Economics*, 32(4), 567-582.

Weersainghe, R., & Ravinda, S. (2013). Bank size, liquidity risk, and operating cost on the value of Sri Lankan commercial banks. *Sri Lankan Journal of Banking and Finance*, 20(1), 89-104.

Yuan, Y., Chen, S., & Zhao, M. (2022). Determinants of profitability in Asian commercial banks. *Journal of Financial Research*, 45(1), 78-94.

Zerihun, T. (2021). Bank specific factors and bank value: Evidence from Ethiopian commercial banks. *African Journal of Economic and Management Studies*, 12(3), 301-316.

DETERMINANTS OF BANK VALUE IN NEPALESE COMMERCI...

By: Madan Rawal

As of: Apr 26, 2024 11:01:00 AM
17,055 words - 76 matches - 17 sources

Similarity Index
17%

Mode: Summary Report

sources:

334 words / 2% - Internet from 19-Nov-2022 12:00AM
etd.aau.edu.et

444 words / 2% - Internet from 15-Feb-2022 12:00AM
www.nepjol.info

271 words / 1% - Internet from 21-Oct-2022 12:00AM
etd.aau.edu.et

160 words / 1% - Internet from 04-Aug-2021 12:00AM
etd.aau.edu.et

257 words / 1% - from 17-Jan-2024 12:00AM
elibrary.tucl.edu.np

107 words / 1% - from 18-Jan-2024 12:00AM
elibrary.tucl.edu.np

94 words / 1% - Internet from 14-Jan-2023 12:00AM
elibrary.tucl.edu.np

273 words / 1% - Internet from 31-Aug-2022 12:00AM
www.researchgate.net

202 words / 1% - Internet from 12-Dec-2022 12:00AM
library.uniglobe.edu.np

184 words / 1% - from 02-Apr-2024 12:00AM
www.sciencepublishinggroup.com

151 words / 1% - Internet from 11-Sep-2022 12:00AM
www.arcjournals.org

145 words / 1% - Internet
Deli Yuan, Md. Abu Issa Gazi, Iman Harymawan, Bablu Kumar Dhar, Abu Ishaque Hossain. "Profitability determining factors of banking sector: Panel data analysis of commercial banks in South Asian countries", Frontiers in Psychology

130 words / 1% - Internet from 10-Jan-2023 12:00AM
elibrary.tucl.edu.np

124 words / 1% - Internet from 13-Dec-2022 12:00AM
pdfcoffee.com