FINANCIAL PERFORMANCE ANALYSIS OF DEVELOPMENT BANKS IN NEPAL

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

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitle "**Financial Performance Analysis of Development Banks in Nepal.**" The work of this dissertation has not been submitted previously for the purpose of conferral of any degree's it has been proposed and presented as part of requirements for any other academic purposes.

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

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REPORT OF RESEARCH COMMITTEE

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We have examined the dissertation entitled **"Financial Performance Analysis of Development Banks in Nepal"** presented by Aashma Karki for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of Degree.

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ABBREVIATIONS

C.V.	:	Coefficient of Variation
CAR	:	Capital Adequacy Ratio
CR	:	Credit Risk
DB	:	Development Bank
FY	:	Fiscal Year
GBBL	:	Garima Bikash Bank Limited
JBBL	:	Jyoti Bikash Bank Limited
KSBBL	:	Kamana Sewa Bikash Bank Limited
LR	:	Liquidity Risk
MNBBL	:	Muktinath Bikash Bank Limited
NRB	:	Nepal Rastra Bank
OC	:	Operating Cost
ROA	:	Return on Assets
ROE	:	Return on Equity
S.D.	:	Standard Deviation
T.U.	:	Tribhuvan University

ABSTRACT

This study aims to find the Analysis of Financial Performance of Development Banks in Nepal. For this purpose, four banks are selected namely Muktinath Bikash Bank Limited, Jyoti Bikash Bank Limited, Garima Bikash Bank Limited, Kamana Sewa Bikash Bank Limited as a sample of the study during period 2013/14-2022/23. The secondary data are used to examine the analysis of financial performance of selected banks. The data used in this study are obtained from published annual reports and official websites of the sample banks, and NRB website. The tools used on the study are statistical tools, which are descriptive statistics, correlation coefficient and regression analysis. Return on assets and Return on equity are the selected dependent variables while credit risk, liquidity risk, operating expenses, capital adequacy ratio were the independent variables. The finding of the study show, the correlation analysis conducted in this dissertation there is strong and statistically significant negative correlations were found between Return on Assets (ROA) and Operating Cost as well as a notable negative correlation between Return on Equity (ROE) and Credit Risk. There are no statistically significant correlations between Return on Assets (ROA) and the examined variables, including Liquidity Risk, Capital Adequacy Ratio, and Credit Risk. Similarly, no statistically significant correlations were found between Return on Equity (ROE) and Liquidity Risk, Operating Cost, or Capital Adequacy Ratio, highlighting the unique significance of Credit Risk in impacting ROE. The regression analysis conducted in this study revealed that Return on Assets (ROA) does not exhibit statistically significant impacts from the examined variables, including Liquidity Risk, Capital Adequacy Ratio, and Credit Risk. This suggests that ROA's performance in Nepalese development banks is independently influenced, with Operating Cost having a prominent impact. Additionally, the regression analysis indicated that Return on Equity (ROE) is not significantly impacted by Liquidity Risk, credit risk and Capital Adequacy Ratio. There is significant positive impact of operating cost on return on equity of development banks in Nepal.

Keywords: *Credit Risk, Liquidity Risk, Capital Adequacy, Operating Cost, Return on Assets & Return on Equity*

CHAPTER-I
INTRODUCTION

1.1 Background of the Study

By establishing links between items on the asset report and the benefit and misfortune account, financial performance identifies a company's financial strengths and weaknesses. It is a key determinant of an organization's success or failure and is the basis for financial decision-making. To draw in prospective investors, stakeholders, owners, managers, creditors, staff, and clients, it is essential to have strong financial policies. Usually, the most recent fiscal year serves as the subject of this investigation (Biru, 2021).

A key metric for evaluating a bank's success, profitability has encountered difficulties as a result of the shifting financial environment. Development banks must be able to turn a profit in order to survive. Maintaining the bank's sustainability depends heavily on its income, especially cash profits utilized for retained earnings and dividends (Dey, 2021).

An essential strategy for businesses to make well-informed decisions is performance evaluation. When evaluating development banks, the focus is frequently on how well the bank uses its resources, liabilities, revenues, costs, and shareholders' equity. For a number of stakeholders, including regulators, bank management, investors, and depositors, the evaluation is important. When assessing a bank's performance, financial ratio techniques are frequently used since they offer a clear explanation of the company's financial performance in relation to prior periods and support management development (Karim & Alam, 2015).

This study looks the Erbil Bank for Investment and Finance's financial results in Iraq's Kurdistan Region between 2009 and 2013. To evaluate the bank's financial status, the research uses a number of financial performance metrics, such as financial ratio analysis. Furthermore, variables that may have an effect on the banking system as a whole are analyzed using a wider variety of statistical methods to ascertain if they significantly correlate with the financial performance of the bank. According to the

study's conclusions, Erbil Bank's financial situation is on the rise, and its performance is influenced by a number of financial factors. Liquidity ratios, asset quality measures, credit performance, and profitability ratios including net profit margin (NPM), return on assets (ROA), and return on equity (ROE) all show improvements in Erbil Bank's overall financial performance. In order to increase the bank's profitability and overall financial performance, the research makes suggestions based on these results for the development and improvement of certain banking activities (Adam, 2014).

A thorough grasp of an organization's performance metrics, including both past and present performance, can be obtained by looking at its financial elements. Because it sheds light on the organization's operating procedures and future course, this study is essential for internal management as well as external stakeholders. With a primary focus on closely examining a bank's financial performance, it assists in evaluating corporate excellence, analyzing market risk, identifying creditworthiness, and rating bonds. An understanding of the bank's overall performance can be gained by applying ratio analysis and interpretation (Adhikari, 2021).

Analysts need certain metrics that show quantitative relationships and positions inside the company in order to evaluate a firm's financial performance. Proportion analysis is the most popular and effective method in monetary analysis. The estimation of relationships between two bookkeeping figures is addressed by monetary proportions, which can be expressed mathematically or numerically as a rate, share, or extent of numbers. A precise method of using financial data to determine a company's strengths and weaknesses is proportion analysis, which takes into account both current financial status and verified performance. Following the computation of various proportions, the results are compared to established guidelines in order to make decisions. Weston and Brigham categorize this analysis into six types: (I) proportions of liquidity, (ii) proportions of influence, (iii) proportions of action, (iv) proportions of profitability, and (v) proportions of development. The next section of this review will present an itemized analysis of the following proportions: Productivity Proportion, Liquidity Proportion, Proficiency Proportion, Capital Design Proportion, and Venture Proportion (Khadka, 2012).

1.2 Problem Statement

Development banks' main goals are to draw in consumer deposits and direct capital toward the most productive industries. However, considering that a sizable section of the population depends on agriculture and that about 80% of people live in rural areas, their concentration in urban areas such as Kathmandu, Pokhara, Birgunj, Hetauda, and Biratnagar has sparked worries about their limited contribution to the socioeconomic development of the country. It is imperative that these banks increase their footprint in rural regions in order to address this, in accordance with the central bank's mandate that joint venture banks devote 10% of their total investments to rural development (Gautam, 2018).The financial performance of the Nepali banks that were sampled is the primary topic of this study. The number of banks and financial firms has decreased after the enactment of merger laws in 2011 and bylaws in 2015, even if many of them opened in a short period of time. Even while joint venture banks have quickly surpassed local development banks, they nevertheless have to contend with fierce rivalry from one another (Kandel, 2017).

For stakeholders including creditors, depositors, investors, and managers, it is essential to examine the factors that influence the success of development banks in Nepal. The goal of the study is to identify the variables affecting these banks' financial performance. There are several obstacles to overcome when analyzing the financial performance of development banks in Nepal. These include comparing profitability in a highly competitive financial environment, addressing asset quality issues like non-performing loans and loan portfolio management, guaranteeing liquidity and funding stability for both short-term commitments and long-term expansion, determining whether capital is adequate to meet regulatory requirements, maximizing operational efficiency to control expenses, closely examining risk management procedures, and investigating market penetration tactics. (2020, Qadir) The analysis also looks at technological adoption, regulatory compliance, digital transformation projects, and social impact and sustainability pledges. A full evaluation of Nepal's development banking industry requires in-depth knowledge of these problems in order to make well-informed suggestions for long-term growth and financial stability.

This study's primary focus is on the banks' financial performance. The following publicly available questions about particular development banks are essentially the focus of this study.

1. What is the current financial standing of a subset of Nepal's development banks?
2. How do changes in operating expenses, capital sufficiency, credit risk, and liquidity risk all add up to development banks' overall financial performance (ROA & ROE), and what do these contributions mean?
3. Do operational costs, capital adequacy, credit risk, and liquidity risk have an impact on development banks' financial performance?

1.3 Objectives of the Study

The study's primary goal is to evaluate the financial performance of Muktinath Bikash Bank Limited, Jyoti Bikash Bank Limited, Garima Bikash Bank Limited, and Kamana Sewa Bikash Bank Limited. The study's particular goals are as follows: The following are the study's precise goals.

1. To evaluate Nepal's development banks' current financial standing.
2. To investigate how development banks' capital sufficiency, operating costs, credit risk, and liquidity risk relate to their financial performance (ROA & ROE).
3. To examine how operating costs, capital sufficiency, credit risk, and liquidity risk affect development banks' financial performance.

1.4 Rationale of the Study

The study is important because it clarifies how development banks' overall performance is shaped by the elements that affect their profitability. A company's management, financial statement users, bondholders, investors, and trade creditors are all impacted by its financial performance. Bondholders think about cash flow, investors worry about cash flow creation, trade creditors concentrate on liquidity, and management places a higher priority on internal control, improved financial condition, and improved business performance.

1. Banks are essential to a nation's development because they give investors and the business community financial support.
2. By maximizing resource usage, the financial performance analysis procedure greatly improves an organization's profitability and overall financial performance.

3. To make sure that suggestions are appropriate and feasible, business principles, economic statistics, and mathematical expertise will be used.
4. Financial performance analysis plays a vital part in management by helping with planning and preparing for a given time frame. Achieving profit necessitates intentional organizational management, and it is a crucial metric for evaluating managerial effectiveness.
5. Government agencies, workers, shareholders, and other stakeholders can all benefit from this study.

1.5 Limitations of the Study

The following are the study's limitations.

1. Only four of the 17 development banks—GBBL, MNBBL, JBBL, and KSBBL—have been chosen as the study's sample.
2. Secondary data taken from annual reports is the foundation of the entire study.
3. Only ten years are covered by the study, from 2013–14 to 2022–23.
4. The information in the development banks' annual reports is the only source of information that can guarantee the accuracy of the secondary data.
5. Only a small number of financial statement tools are used in this study's examination.

CHAPTER II
REVIEW OF LITERATURE

The following section focuses on reviewing pertinent experimental and hypothetical literature, establishing a thoughtful framework for the study, and, of course, identifying gaps in the existing literature. The identification of research hypotheses for the review is greatly aided by these identified gaps.

2.1 Conceptual Review

2.1.1 Concept of Financial Performance

The study of a company's financial operations aimed at accomplishing its value-maximizing goal is known as financial performance analysis. Effective and efficient judgments are essential for better financial activities, and those improved financial activities lead to good financial performance, which in turn spurs the organization's growth.

The core of financial decision-making is financial performance analysis. Financial performance has a direct impact on an organization's growth and development, and when accurate facts and statistics are sorted out, an organization's financial performance is accurate. Organizations in business are motivated to make money. One of the key markers of a company's strong financial performance is the amount of profit made.

"Profit earned by the firm is the main financial performance indicators of business enterprises." Analyzing financial performance helps one better grasp a company's strengths and weaknesses. Consequently, a variety of financial statements are used. The income statement, which summarizes the company's profitability throughout time, follows after the balance sheet, which shows the company's current financial status (Robinson, 1951).

The primary determinant of the firm's success or failure is financial performance analysis, which is a component of financial management. Its choice is crucial to boosting profitability by examining the company's historical performance and

efficiency using financial records and accounting data. A company must make a profit in order to endure, expand over time, and preserve capital sufficiency through retained earnings. Profit, however, is not the only indicator of a company's financial performance. From the perspective of stakeholders, shareholders, financial institutions, and the country at large, the company's financial situation should be solid. Nonetheless, one of the most overlooked facets of Nepal's public enterprises is their financial component. Though this has also been limited within the banks themselves, joint venture banks have been evaluating their financial performance in order to take early corrective action.

Himalayan Bank is one of the top commercial banks in Nepal, and they play a significant part in the nation's economic development. Due to its competent and dependable customer service, this bank has outperformed rival joint venture banks in terms of market share and profitability. Therefore, it would be straightforward and transparent to examine the financial performance of this prominent foreign joint venture bank in Nepal using a variety of financial measurement tools to learn about their earnings and how they are being used to support the nation's economic growth.

One way to think of financial performance analysis is as the essence of financial decisions. The financial policies of every company firm have a direct impact on its growth and development. Maintaining records, obtaining the required cash, and preserving relationships with banks and other financial institutions are all too important for a rational assessment of the financial performance management in public organizations. However, one of the most overlooked facets of Nepali public enterprises is their financial component. However, in order to take corrective action, joint venture banks have examined financial performance. However, their analysis is restricted to the bank itself. As a component of financial management, financial performance involves a variety of institutions that either influence or are influenced by the firm's choices.

The firm's management is interested in every facet of financial analysis in order to implement a food financial management system for the enterprise's internal control. Likewise, the firm's liquidity holdings are the main focus of trade creditors. Long-term lenders are more concerned with the company's capacity to pay off debt in the

long term. Every party involved is either directly or indirectly interested in the company's financial performance. The financial statement, balance sheet, profit and loss account, and other accounts all present absolute accounting data that don't give a clear picture of the company's performance and financial status. Therefore, by correctly establishing the relationship between the balance sheet items and the profit and loss account, financial analysis is the primary qualitative judgment method for determining the firm's financial strength and weakness.

Nepal's Joint Venture Bank is a profitable business organization. Therefore, the primary measure of a joint venture commercial bank's financial performance in Nepal is the profit it makes. It cannot, however, predict the bank's performance solely by looking at its profitability condition. The bank's financial performance must take into account every facet of the financial analysis.

"Ratio analysis is such a powerful tool of financial analysis that through its economic and financial position of a business unit can be fully x-rayed" (Kothari,1991:487).

"Financial Analysis is a process if identifying the financial strength and weakness of the firm by properly establishing relationship between the items of balance sheet and the profit and loss Account" (Pandey, 2010, p. 1).

A company's financial analysis includes a variety of indicators, but the main ones used to assess a company's strength and weaknesses are financial statement analysis, ratio analysis, and the sources and uses of cash. However, the study's primary focus here is on using ratio analysis and a few other financial indicators to examine the bank's performance and financial status. From the perspective of the company's investment, a quantitative assessment of the financial performance and state of the business should be made.

The relationship between the several financial aspects of a business as revealed by a single set of statements and the trend of these components as demonstrated by a series of statements are the subjects of financial analysis. The financial analysis reveals the meaning and importance of the elements on a balance sheet, income statement, and operational data by creating a strategic relationship between them. Financial statement

analysis is required because, despite their effectiveness in achieving their goals, the balance sheet, profit and loss account, and fund flow statements are unable to satisfy the demands of various interests. They should be examined in order to get the pertinent information based on personal needs.

A lot of people employ ratio analysis. It is described as the methodical application of ratios to the interpretation of financial accounts in order to ascertain a company's strengths and weaknesses, past performance, and present financial status. The three main decisions a company might make—the investment decision, the financing decision, and the dividend decision—are the result of an institution's financial analysis. The firm's worth will be maximized by the best possible combination of the three choices.

Ratio analysis is one of the most effective and popular financial analysis tools. The term "ratio" refers to the numerical or quantitative relationship between two items; it is a mathematical expression of the relationship between two accounting statistics. A percentage, fraction, or proportion to a number can be used to express the sort of relationship. Ratios are useful for summarizing vast amounts of financial data and for forming qualitative assessments of performance.

2.1.2 Importance of Financial Analysis

The goals of every firm's financial analysis determine the significance of the analysis. The following highlights the significance of financial analysis (Foster, 2002).

a. Useful in Financial Position Analysis

One crucial method in financial analysis is ratio analysis. It also shows the worry firm's financial situation. This facilitates the leadership and investment decision-making of banks, insurance companies, and other financial institutions.

b. Useful in Comparison of Performance

To assess the performance of different departments within a company, accounting ratios can be used to compare one department to another within the same company. In order to understand the appropriate and efficient operation of such a department, managers are naturally interested in such comparisons. Any changes to the organizational structure are also aided by ratios.

c. Useful in Forecasting Purpose

A pattern can be identified if accounting ratios are computed over a period of years. This tendency aids in forecasting and the creation of future strategies. The ratio computations from previous years serve as a roadmap for the future.

d. Useful in Communication

Ratio analysis informs both internal and external stakeholders about the strengths and weaknesses of the company in question. Information obtained through financial analysis facilitates communication between different parties. This procedure aids the parties involved in making plans for the future and in taking appropriate action as required. The communication of financial decisions and their impact on the bottom line is aided by financial statements.

e. Useful for Decision Making

The goal of financial analysis is to influence the future. It gives management the resources they need to make informed decisions on difficult and complicated business matters. The ratios listed below can be used as a tool to help make decisions.

- Liquidity Ratio
- Capital Structure Ratio
- Activity Ratio
- Profitability Ratio

According to Myer (2003), the following stakeholders stand to gain from the findings or conclusions of the financial performance analysis:

- Top Management
- Creditors
- Shareholders
- Economist
- Labor Union

2.1.4 Objectives of Financial Analysis

Financial analysis assists us in investigating a variety of information pertaining to the organization's historical performance and forecasts its likelihood of attaining

anticipated outcomes in the future. According to Kothari (1995), the primary goal of financial analysis is:

- To ascertain the bank's financial performance's comparative standing.
- To ascertain the cash flow and profitability of the chosen institutions in question.
- To ascertain the bank's capital structure.
- To assess the banks' strengths and weaknesses.
- To evaluate the bank's liquidity positions
- • To offer advice and recommendations to those in need.

Actually, the quality of the data supplied determines the analysis's goal, as does the analyst.

2.1.5 Uses and User of Financial Statements Analysis

Because so many people are interested in a company unit's financial performance, financial statement analysis has grown in importance. The following parties are interested in financial statement analysis (Myer, 2003).

Investors: Business owners and shareholders are concerned about the company's success. They want to know how much the company can make and how likely it is to grow in the future.

Management: The overall performance and financial status of the business, as well as those of its several divisions, are of importance to the management. It assists them in creating budgets and evaluating the work of different department leaders.

Trade unions: In order to negotiate pay or bonuses with management, they are interested in financial statements.

Lenders: Lenders to the company, such as holders of debentures, providers of loans, and leases, are curious about the entity's short- and long-term solvency status.

Suppliers and trade creditors: Suppliers and other creditors are curious about the company's solvency, or its capacity to pay off debts when they become due.

Tax authorities: In order to ascertain the tax liability, tax authorities are interested in financial accounts.

Researchers : When conducting study on corporate issues and practices, they are particularly interested in financial accounts.

Employees : They want to know how much profit has increased. They are therefore able to demand more favorable working conditions and better compensation.

Government and their agencies : Financial data is necessary for the government and its agencies to control business and industry operations and set taxation policies. They make recommendations for actions to create rules and policies.

Stock exchange : Because they offer valuable financial information about businesses, stock exchange members are interested in analyzing financial statements. Maheswari (2003).

2.2 Empirical Review

Various tests have been conducted in different sections of Nepal's progress banks. The conclusion of earlier analyses of the different components of banks is relevant to this assessment. As a result, the examinations of earlier publications, journals, and proposals are assessed in this way.

In 2024, Ravichandran and Ahmad conducted study on the rationale of using an exact technique to display the top five banks in the United Arab Emirates in relation to banks throughout the world. The UAE-based banks are positioned in accordance with their presentation after a near proportion analysis. This approach's findings are important in the context of late banking and financial emergencies. It can also be used as a benchmarking practice for education at the undergraduate and graduate levels, both inside and outside of the homeroom, and it can make a substantial contribution to research studies on execution examinations.

Nurwulandari et al. (2023) used excellent corporate administration as a mediating variable in their study of the relationship between Indonesian business banks' monetary soundness and monetary execution. In this study, 41 business banks' annual reports used as tests for the years 2014–2019 are analyzed using the gamble-based bank rating (RBBR) technique with optional information. The following proportions were used in this study: Return on Resources (ROA), Capital Ampleness Proportion (Vehicle), Working Productivity Proportion (OER), Advance Store Proportion (LDR), Net Interest Edge (NIM), Non-Performing Credits (NPL), and Great Corporate Administration (GCG). The results demonstrated that, as predicted, OER had a major

impact on ROA, but NIM had an immediate positive and large impact on ROA. Direct GCG testing demonstrates both the enormous and detrimental effects of NPL and OER, as well as the enormous and beneficial effects of NIM. Furthermore, GCG can influence the relationship between NPL and OER on the monetary performance of Indonesia's traditional banks, according to anomalous testing with mediating factors. Furthermore, it has been shown experimentally that GCG strengthens the significant and favorable effect of NIM on ROA. This investigation highlights the importance of solid corporate governance in promoting the financial stability of Indonesian commercial banks. Additionally, the results would conceivably imply the importance of assessments concerning morality and administration components as the areas of crucial corporate administration concerns.

According to Pinto et al. (2022), banks are an important part of any economy's monetary system. The monetary presentation of Bahraini business banks is evaluated in this study. Eight business banks are used in this analysis for the years 2005–2010. The data used in this study was obtained from the National Bank of Bahrain website, financial backer's aid, bank papers and pamphlets, and the annual reports and websites of the specific banks. To determine the relationship between different financial boundaries, the study used t-tests, relapse, and connection investigation. Banks are a crucial component of any economy's monetary system, claim Pinto et al. (2022). This study assesses Bahraini business banks' monetary presentation. In this investigation, eight business banks covering the years 2005–2010 are considered. The National Bank of Bahrain website, financial backer's aid, bank documents and brochures, as well as the annual reports and websites of the individual banks, provided the data used in this study. The study included t-tests, relapse, and connection inquiry to ascertain the relationship between several financial limitations.

In order to evaluate the financial performance of selected Indian banks for the years 2014–15 to 2019–20, Srinivasan and Britto (2021) conducted research on the current evaluation. Using monetary proportions, the evaluation examines the financial presentation of 16 business banks, 11 of which serve the public sector and 5 of which serve the private sector. According to the evaluation, for the entire review period, private area banks' financial displays were generally superior to those of public area banks. Additionally, using the board information assessments—the Decent Impact

and Arbitrary Impact models—the analysis examines how the productivity of the selected Indian business banks is affected by liquidity, dissolvability, and proficiency. In accordance with the way that benefit is a component of those proportions, the experimental results from the board information assessments revealed that the liquidity proportion and dissolvability proportion, as well as the turnover proportion and dissolvability proportion, are found to fundamentally affect the productivity of selected public area and confidential area banks, separately.

The purpose of Biru's (2021) study was to investigate the factors that influence Ethiopian private business banks' monetary execution. The review used a quantitative exploratory technique with an illustrative examination strategy. To finish the review, a budget report of private business banks covering the years 2010 to 2019 was studied. Due to their age and experience, eight (8) of the sixteen (16) private commercial banks were selected to be tested using purposive examination. Illustrative and inferential measures such as connection examination, irregular impact relapse investigation, and fixed impact relapse investigation were used to examine the data. The review's conclusions demonstrate that the return on assets (ROA) and return on value (ROE) of Ethiopia's private business banks were significantly impacted by microeconomic parameters, including capital sufficiency, resource quality, liquidity position, and bank office count. According to macroeconomic variables, loan fees had a major impact on both return on value and return on resources. Additionally, GDP had a substantial impact on Ethiopia's private business banks' return on assets (ROA) and return on equity (ROE). Therefore, as such internal factors have a significant and fundamental impact on their financial presentation, the private business banks should carefully consider improving them.

In essence, since these factors collectively impacted bank financial performance, the relevant leadership body should obtain updated information about upcoming changes in the GDP and loan costs, adjust their bank's capabilities in accordance with the climate, and be efficient.

Dey (2021) examined the benefit-related financial presentation of private registered commercial banks in Bangladesh. Cross-area data from the annual fiscal reports of 15 registered business banks for the years 2008–2019 is used in the review. For this review, five determinants have been selected. The relationship network demonstrates that while productivity and capital ampleness are negatively correlated, benefit,

resource quality, working execution, bank size, and liquidity position are strongly correlated. The step-by-step relapse approach is used to demonstrate how the causes affect one another. This method separates the three models and eliminates the irrelevant elements in three steps. Finally, model 3 is chosen.This model is the optimal combination of the components being studied that best illustrates production. It takes into account important factors that determine advantage, such as bank sizes, working execution, and resource quality. On the other hand, benefit is impacted by liquidity situation.

According to a research by Mishra et al. (2021), banking in Nepal is organized in the most typical manner. Unfamiliar guides are seen as essential to Nepal's progress. The purpose of this study is to assess the impact, dedication, and connection between size, advances and stores, expansion, and capital on the banks' advantage. In addition to the research, seven commercial banks provided optional data from 2013 to 2019 as necessary data. To ensure a contributing link between return on resources (ROA), return on value (ROE), and net revenue edge (NIM), the relationship and relapse alongside proportion investigation has been used. There is an increasing trend in bank size.

The standard deviation's declining trend demonstrated that as the year goes on, Nepalese commercial banks' sizes exhibit less variation in how they use all of their resources. While there is a positive correlation with bank size and expansion, there is a negative correlation between ROA and ROE and the proportions of credit, stores, and capital. However, in the case of NIM, the capital proportion exhibits a negative link with NIM, whereas bank size, credit proportion, store proportion, and expansion show a positive relationship. The majority of respondents believe that one of the key factors influencing bank productivity is the dissemination of monetary reports.

A research on Bahrain's monetary sector was carried out by Qadir (2020), which firmly supports the country's economic growth. Its share in Bahrain's GDP in 2018 was 27 percent.The bank's monetary execution can be used to assess an economy's level of prosperity. The financial outcome of its plans and actions is known as monetary execution. Examining the banks' financial presentations in the Realm of Bahrain using a contextual analysis technique is the review's main goal. Optional data was extracted from the bank's annual evaluation report for the years 2011 through 2018 in order to evaluate the bank's display. It revolves around two key indicators:

liquidity and productivity. The donors must return their reserve cash in accordance with their liquidity needs, while investors are denied the opportunity to increase their profits through speculating. Return on value and return on resource are the variables used to measure productivity, while credit is used to hold and advance resources in order to evaluate liquidity. As may be shown from previous studies, this fraction is being quantified by inspection. Utilizing rate inquiry, the evaluation provided insights and connections. The examination's conclusion showed that return on value and resource profit are positively and negatively correlated with credit to resources.

According to Mustafa and Taqi's (2019) research, banks have a major role in a nation's economic development. They control a sizable portion of the currency supply and are the foundation of modern trade. A bank is a financial intermediary that accepts stores and directs them toward lending activities. It plays a crucial role in introducing new shop types and innovative strategies. The primary areas to observe a bank's presentation are its administrative viability, administrative quality, and functional productivity. A bank's financial performance may be calculated by looking at its achievement in terms of customer loyalty, management quality, productivity, and other relevant factors.

The benefit of a bank serves as a record of the degree of resource utilization and administrative viability by demonstrating the efficiency with which the bank uses all of its assets to increase its net benefits. The Indian financial system is now dealing with a number of problematic issues. In light of this, the current evaluation aims to evaluate the financial standing of Punjab Public Bank, India's second-largest public area bank. This study is entirely based on voluntary data, and with the aid of SPSS 20.0, different proportions have been used to evaluate the bank's financial performance and conduct a relapse inquiry. According to the evaluation, the selected bank has done well in terms of development rate and financial productivity, but its benefit situation has been found to be subpar during the assessment period.

Gautam (2018) examined the factors that influence Nepali commercial banks' monetary execution. Ten commercial banks were selected for the test, which covered the period from 2006–07 to 2016–17, in order to investigate the factors that influence monetary execution. Data is collected from the specific banks' annual reports. Information has been examined using a variety of straight relapse models. The results indicate that return on resources is positively correlated with capital sufficient

proportion, board effectiveness, and GDP, but negatively correlated with executive resource quality and liquidity. It is clear from the findings that the capital adequacy ratio, the efficacy of the executives, GDP, board liquidity, and resource quality all have a significant influence on business banks' financial performance.

The goal of this study, according to Kobika (2017), is to consider the financial operations of governmental and private sector banks. Compared to developed nations, agricultural nations have a distinct banking sector. The Sri Lankan financial sector plays a crucial role in the country's economy. In Sri Lanka's financial sector, corporate banks are playing an increasingly important role. In Sri Lanka, for instance, there are two types of banks: state banks and confidential commercial banks. The latter can be further classified as either domestic or foreign. This study's main goal is to evaluate the financial performance of public and private sector banks in Sri Lanka from 2013 to 2017 using the Capital Sufficiency, Resources Quality, The executives Adequacy, Profit, Liquidity (CAMEL) assessment system. Numerous studies are conducted in different countries to examine the financial presentation of the banking sector using various factual techniques. One of the quantitative methods employed in this study to examine banks' financial displays is the CAMEL grading system, which is widely used in the current environment. In order to compete and survive in the current environment, state banks should focus on increasing their financial display. Private sector banks also aim to achieve their desired financial display for their long-term viability.

Syed and Rizwan (2016) looked at the size of Pakistan's top 10 banks that offer secret plugging. To fix the problem, we used the relationship approach and relapse evaluation. Bank size and Functional Effectiveness is adversely connected with ROA and favorable association was observed with Resources the board proportion. However, there is a clear correlation between bank size and revenue, pay, and resources. Revenue Pay has a negative relationship with executives and functional productivity. monetary structure, favorable treatment of financial backers, and optimal asset utilization. In any economy, the banking sector plays a crucial role in these issues. The banking sector plays a crucial role in directing resources toward business endeavors and promoting financial stability and development. A well-established financial sector can sustain significant economic crises and provide a framework for

strengthening the nation's financial system. Since gaining independence, the financial sector in Pakistan has seen significant changes. Initially, Pakistan's banking sector faced challenges such as a lack of resources, political instability, a lack of talented people capital, and financial disasters that affected the banking sector's capacity to operate efficiently. In any event, the State Bank of Pakistan took the initiative to promote private sector banks by introducing the SBP Act of 1956. This was followed by the privatization of 1992, which encouraged local and foreign investors to establish private sector banks and financial institutions. With 9,399 branches and Rs. 11,778.6 billion in resources, Pakistan's financial sector now consists of 44 savings money banks, comprising five public area banks, 23 domestic private banks, 12 foreign private banks, and four particular banks. Currently, the banks' secret section holds around 80% of their financial resources.

According to Karim and Alam's (2015) research, banks play a significant role in each nation's financial development. They have authority over a sizable portion of the available cash reserve.

The purpose of this study is to examine the presentation of five selected private region banks listed on the Dhaka and Chittagong stock exchanges in Bangladesh. This is done by using a variety of financial metrics, which essentially demonstrate the sufficiency of the bet-based capital, credit improvement, credit center, non-performing advance position, liquidity opening assessment, liquidity extent, return on assets (ROA), return on esteem (ROE), net income edge (NIM), etc. The financial execution of the selected banks has been checked using three unique guidelines: market-based execution evaluated by Tobin's Q model (worth/book extent), money-related execution evaluated by Monetary Worth increase, and inside-setup execution evaluated by Return concerning Assets. In order to determine the impact of bank size, credit risk, practical capability, and asset load up on money-related execution as determined by the three pointers, and to create a strong match backslide model to forecast the future financial display of these banks, annual time series data from 2008–2012 of the selected banks from their various inspected yearly reports (discretionary data) were used in various backslide assessments. According to quantitative evidence, the leaders' assets, practical efficiency, bank size, and credit risk all essentially affect how well Bangladeshi commercial banks execute financially. The study's review of international papers is also included in the Meta table.

Table 1

Summary a Review

S. N.	Date	Author(s)	Methodology	Findings
1	2022	Pinto et al	Regression and correlation analysis.	However, the study did not confirm the link between bank efficiency and profitability; instead, the findings show that profitability affects capital adequacy and financial leverage.
2	2022	Nurwulandari et ai	Quantitative analysis using SEM (Structural Equation Modeling) based on Partial Least Square (PLS).	The results indicated that while OER had an influence on ROA as predicted, NIM had an immediate and significant beneficial impact on ROA. NPL and OER have a significant negative influence on GCG, while NIM has a significant favorable impact. Furthermore, GCG can intervene the relationship between NPL and OER on the financial performance of Indonesia's conventional banks, according to indirect testing using intervening variables. While there is a positive correlation with bank size and expansion, there is a negative correlation between ROA and ROE and the proportions of credit, stores, and capital. Notwithstanding, in the event of NIM, bank size, credit proportion, store proportion and growth reveal a positive connection while the capital proportion indicates the negative association with NIM. The majority of respondents believe that one of the key factors influencing bank benefit is the release of financial data.
3	2021	Mishra, et.al.	correlation and regression	Loan ROA and ROE have a negative correlation.
4	2021	Biru	The data were analyzed using	The study's conclusions show that the return on equity

			descriptive and inferential statistics such as correlation analysis, Random and Fixed effect regression analysis.	(ROE) and return on assets (ROA) of Ethiopia's private commercial banks were positively and significantly impacted by microeconomic parameters, including capital adequacy, asset quality, liquidity position, and branch count. The empirical findings from the panel data estimations showed that the profitability of a few public and private sector banks is positively and significantly impacted by the liquidity and solvency ratios as well as the turnover and solvency ratios.
5	2021	Britto and Palamalai	Descriptive Research Design has been used for study.	The study's conclusions show that the return on equity (ROE) and return on assets (ROA) of Ethiopia's private commercial banks were positively and significantly impacted by microeconomic parameters, including capital adequacy, asset quality, liquidity position, and branch count. The empirical findings from the panel data estimations showed that the profitability of a few public and private sector banks is positively and significantly impacted by the liquidity and solvency ratios as well as the turnover and solvency ratios.
6	2021	Dey	The stepwise regression method is followed.	According to the correlation matrix, there is a negative relationship between profitability and capital adequacy, but a positive relationship between profitability, asset quality, operating performance, bank size, and liquidity position.
7	2020	Qadir	Descriptive and Correlation analysis	The analysis's findings showed that loan to asset has a negative correlation with return on equity and a positive

				correlation with return on asset.
8	2018	Gautam	Multiple linear regression models have been employed for the analysis of data.	The findings indicate that return on assets is positively correlated with the capital adequacy ratio, management effectiveness, and GDP, but negatively correlated with asset quality and liquidity management. The results make it clear that the capital adequacy ratio, managerial effectiveness, gross domestic product, liquidity management, and asset quality all have a significant impact on the financial performance of commercial banks.
9	2018	Ravichandran and Ahmad	Panel Random Effects Method	The methodology may be utilized as a teaching tool, and the results are significant in light of the recent banking and financial crises.
10	2018	Kobika	Camel parameters model	One of the quantitative methods utilized in this study to assess the financial performance of banks is the CAMEL rating system, which is popular in today's society. In order to compete and thrive in the modern world, state banks should concentrate on improving their financial performance. Private commercial banks should likewise strive to meet their financial performance goals in order to ensure their long-term viability.
11	2016	Syed and Rizwan	Regression analysis and correlation	ROA has a negative association with bank size and operational efficiency, but the assets management ratio has a positive link. In contrast, interest income has a negative relationship with asset management and operational efficiency, whereas bank size has a positive relationship with interest income.

12	2015	Karim and Alam	Correlation and multiple regression analysis	The financial performance of Bangladeshi commercial banks is significantly influenced by bank size, credit risk, operational effectiveness, and asset management.

2.3 Research Gap

While much research has been completed in developed countries using larger extension, robust econometric techniques, and relapse analysis, Nepal's monetary system has not received the same level of attention. Regarding this topic, data on the Nepalese financial system is, by all measures, scant and constrictive in terms of extent and kind of connection relapse to adequately focus on financial system reform in Nepal. Different attention is paid to the relative analysis of the financial performance of advancement banks, but less attention is paid to the factors that influence the financial performance of improvement banks in Nepal. In light of these gaps in knowledge and strategic needs, the hypothesis sought to provide more precise evidence using four sample improvement banks selected from a total of 17 improvement banks and using various analysis methods.

Muktinath Bikash Bank Restricted, Garima Bikash Bank Restricted, Kamana Sewa Bikash Bank Restricted, and Jyoti Bikash Bank Restricted are among the banks whose monetary execution assessment provides the most up-to-date and comprehensive information (www.nrb.org.np).

CHAPTER-III
RESEARCH METHODOLOGY

The research approach used in the study is the main topic of this section. A thorough explanation of research design, population and sample, sampling design, data sources and nature, data collection tools, analysis techniques, and the research framework is given, along with a definition of variables, in order to solve the research problem and accomplish the study's goals.

3.1 Research Design

Descriptive and causal comparative research designs serve as the foundation for this investigation. Answering the questions of who, what, where, and how things occur in a study is the main goal of descriptive research designs. Describe the population by utilizing important variables. Finding the correlations between variables is one of the many uses for descriptive survey designs. Since descriptive research encompasses a variety of study methods, its design is used to ascertain a stance. It has specific steps and methods that provide enough direction for deciphering and assessing the research. Both quantitative and qualitative analytic techniques are used in this research.

In-person interviews and conversations with the pertinent bank employees have also been used in qualitative analysis, even though secondary data has been examined the majority of the time. Causal-comparative research is the process of identifying the cause-and-effect relationships between independent and dependent variables. Researchers can look at causes and consequences after the fact. This might help determine the causes or consequences of differences that currently exist within or between different social groups.

3.2 Population and Sample

There are 17 development banks that serve the whole population of the study, including Nepal. Out of seventeen banks, three have gathered a sample. A subset of the population that is examined in order to estimate its characteristics is called a sample. 17 development banks have received licenses from the NRB, which might be considered the study's population size. A multitude of limitations make it impractical to study the whole population. Garima Bikas Bank Limited (GBBL), Kamana Sewa

Bikas Bank Limited (KSBBL), Jyoti Bikas Bank Limited (JBBL), and Muktinath Bikash Bank Limited (MBBL) are the chosen banks. Purposive sampling was used to choose the bank's samples.

3.3 Nature and Sources of Data

The reports presented by the banks at their annual comprehensive meetings and information available on the websites of the individual banks are the primary sources of supplementary information, as previously mentioned. As essential optional information sources, the examined financial reports of the selected business banks, articles from various publications, diaries, academic proposal papers, and information from various websites were used. Additionally, data was obtained from the Nepal Rastra Bank's (NRB) administrative reports.

3.4 Data Analysis Tools and Techniques

Various accounting, statistical, and financial approaches have been used to achieve the research's objectives. The data analysis will be in line with the type and pattern of the data that is already accessible. Analytical statistical methods such as simple regression and Karl Pearson's coefficient of correlation have been included into this study using the available tools and resources. The results obtained through the utilization of statistical, accounting, and financial instruments are categorized and shown in tabular form. After this arrangement, the data are interpreted by a comparative analysis.

Statistical Tools

To accomplish the goals of the study, a variety of accounting, statistical, and financial techniques have been applied. The type and pattern of the data that is now available will be reflected in the data analysis. Using the instruments and resources at hand, analytical statistical techniques like basic regression and Karl Pearson's coefficient of correlation have been used into this investigation. The outcomes derived from the use of financial, accounting, and statistical tools are grouped and shown in tabular form. Following this configuration, a comparison analysis is used to analyze the data.

i) Arithmetic Mean: The informative index's focus tendency can only be addressed by the arithmetic mean, also known as the normal. It is calculated by dividing the total

number of items by the sum of all perceptions. The number juggling mean is a frequently used percentage of measuring focused worth.

$$\overline{X} = \frac{\sum x}{n}$$

Where,

$\overline{X}$ = Arithmetic Mean

$\sum x$ = Summation for total observation

n = Number of items

i) Standard Deviation

The most important and often used percentage of focusing on dispersion is the standard deviation. Another name for it is root mean square deviation. Additionally, it is denoted by the little Greek letter σ (sigma). A circulation's outright dispersion is estimated by the standard deviation. The standard deviation is therefore a highly useful tool for evaluating the agent of the mean. In a symbolic sense,

$$\sigma = \sqrt{\frac{\sum d^2}{n}}$$

Where,

σ = Standard deviation

$\sum d^2$ = sum of squares of the deviation measured from arithmetic average

n = Number of items

ii) Coefficient of Variation

The co-proficient of variety, which is defined as the ratio of the standard deviation to the mean conveyed in the coming-about rate, is the comparison of relative proportions of scattering that are almost equal across dispersion. In situations when we must examine the changeability of at least two series, it is employed. It is expected that the series with a higher coefficient of variation will be more factored, or conversely, less consistent, stable, homogenous, or trustworthy. This can be shown using the following formula:

$$CV = \frac{\sigma}{\overline{X}} \times 100\%$$

Where,

CV = Coefficient of variation

σ = Standard Deviation

$\overline{X}$ = Mean / Average

iii) Correlation Analysis

The factual tool we may use to illustrate the degree of a direct relationship between two variables is connection. The degree of connection between two figure layouts is estimated by the co-effective of connection. The review employs Karl Pearson's strategy, one of the several methods for determining the coefficient of association. The coefficient of connection's result often falls between +1 and -1. The optimal relationship between two elements and bad habits is implied when r = +1, and vice versa. It is implied that there is no relationship between two components when r = 0. The formula for Pearson's is:

$$r = \frac{n\sum xy - \sum x^2.\sum y^2}{\sqrt{n\sum x^2 - (\sum x)^2}\sqrt{n\sum y^2 - (\sum y)^2}}$$

Where,

r = coefficient of correlation

x = independent variable

y = dependent variable

n = no. of periods

iv) Regression Analysis

Relapse is a quantifiable tool used to determine the true relationship between at least two variables and to forecast or evaluate one variable depending on several aspects. Relapse is therefore that quantifiable tool that allows the unknown value of one variable to be evaluated or predicted using the known value of the other variable. We may determine the value of one variable based on the value of another if we accept that the two elements are closely connected. We may determine the quantity of creation required to complete a specific measure of deals, for example, if we recognize the close relationship between creation and deals. In this way, relapse determines the usual likely change in one variable based on a certain indicator of success in another.

To achieve its goals, this review uses two ward variables and four autonomous variables. This study's main goal is to establish connections between variables and determine how determinant variables affect benefits. The review model looks like this:

Model 1

ROA= β + β1 (CAR) + β2 (CR) + β3 (LR) + β4 (OC) + e…… (i)

Model 2

ROE= β + β1 (CAR) + β2 (CR) + β3 LR) + β4 (OC) + e…….. (ii)

Where,

ROA= Return on assets

NPM= Net profit margin

β = the intercept (constant)

CAR= Capital adequacy ratio

CR= Credit risk

LR= Liquidity risk

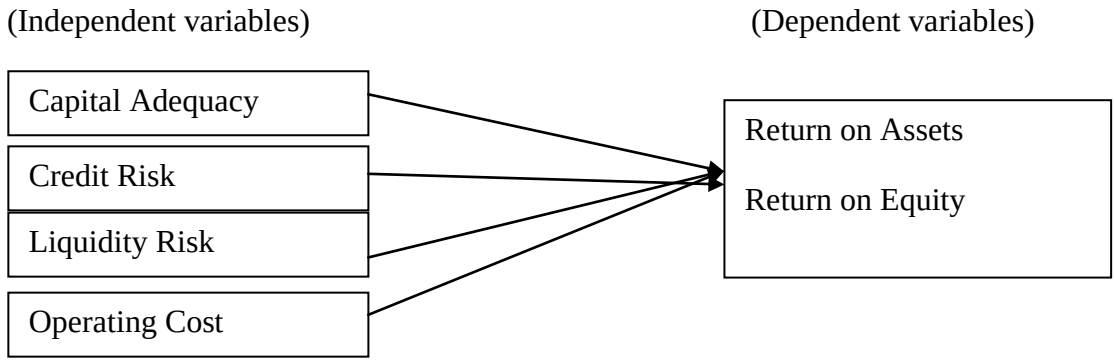
e= error term

OC= Operating cost

β1 - β4= Beta coefficient of four independent variable one to four respective

3.5 Research Framework and Definition of Variables

The following hypothetical structure introduces dependent and free components to focus on liquidity on the benefit being developed banks of Nepal. The accompanying graph introduces the computed system, which was developed from the hypothetical and writing survey.



Source: Basnet (2021)

Figure 1 Research framework

Operational Definition of Variables

The following are the measured and operational definitions of the independent and dependent variables in this section:

Capital adequacy ratio (CAR)

Capital adequacy is an impression of the internal strength of a bank, which would place it in a favorable position at the hour of necessity. For three reasons, banks must determine how much capital they must maintain. First, bank capital prevents bank disappointment, which occurs when a bank is unable to pay its investors and other leasers and thus goes out of business; second, the amount of capital affects the return for the bank's value holders; and third, administrative experts anticipate a baseline measure of bank capital (bank capital necessity). The ratio of level I capital to level II cash flow for gambling with weighted resources is used to evaluate the capital sufficiency proportion. Recognizing the importance of capital ampleness, the NRB issued a mandate requiring all business banks in Nepal to meet the 10% capital sufficiency level, which was established based on recommendations from the Basel board of trustees. For this variable, the scientists used data from the NRB management report or the annual report of test banks (Gautam 2018).

$$\text{CAR} = \frac{\text{Tier}-1 \text{ Capital} + \text{Tier}-2 \text{ Capital}}{\text{Risk weighted assets}}$$

Credit risk (CR)

Non-execution advances are used as a measure of credit chance or credit nature when they add up to the advances proportion. The collection of variables that have the most significant impact on banks' presentation includes credit risk. A larger cost of the dreadful obligation discount is implied by an expansion in the arrangement for credit

mishaps. On this assessment, this is a free factor for the development banks' execution. The expected information of CR is gathered from yearly report of test banks Karki, (2021). If there should be an occurrence of inaccessibility of determined CR can be determined as follows:

$$CR = \frac{\text{Total non performing loan}}{\text{Total loan}}$$

Liquidity risk (LR)

$$LR = \frac{\text{Total loan and advance}}{\text{Total deposit}}$$

This refers to the profit margin of a bank's credits based on its shops at a certain point in time. A bank's reliance on purchased reserves, which are often more expensive than most types of storage, increases with the proportion. Compared to managing an account with high LR, save money with low LR is thought to have excessive liquidity, perhaps lesser advantages, and hence less gambling. For the purpose of carrying out the advancement banks for this review, this is an independent variable. The annual report of test banks provides the anticipated data for LR. The following can be used to ascertain the determined LR in the event that it becomes inaccessible:

Operating cost expenses (OC)

The percentage of the aforementioned expenditures that add up to resources is used to estimate working expenses. Pay rates, other authoritative expenses, such as compensation, other staff bunks, engine vehicles, premises, deterioration of fixed resources, and other non-premium expenditures, are included in the above charges. A bank would most likely charge a bigger spread to maintain its overall advantage if it incurs significant overhead expenses while providing various forms of help (Were and Wambua, 2013). For this review, it is also an autonomous variable. The scientist used data from the annual report for this variable; if the linked data is unavailable, this can be approximated as follows:

$$OC = \frac{\text{Total operating cost}}{\text{Total assets}}$$

Return on assets (ROA)

Since it gauges how well an organization manages its interest in resources and uses them for the greater good, the profit from resources proportion is a key benefit proportion. It calculates the amount of benefit received in relation to the organization's level of investment in all available resources. The executive's class of financial resources is linked to the profit from resources proportion. According to

Khan and Mutahhar (2020), ROA is the key metric used to evaluate the advanced banks' financial performance. The annual report of test banks provides the required ROA data. In the event that the calculated ROA becomes inaccessible, it can be ascertained as follows:

$$\text{ROA} = \frac{\text{Net income}}{\text{Total assets}}$$

Return on Equity (ROE)

Because investors are eligible for the residual benefits, ROE demonstrates the relationship between investors' assets and overall pay. The ability of the organization to generate net gain per rupee of investors' assets is demonstrated by this ratio. Determining how well the assets contributed by investors have been utilized is the main objective of processing this percentage. Both current and potential investors are extremely interested in this percentage, and executives who are responsible for increasing the owners' government support are also quite concerned. Kolbika (2017). The following formula may be used to calculate this ratio:

$$\text{ROE} = \frac{\text{Net income}}{\text{Shareholder's equity}}$$

CHAPTER IV
RESULTS AND DISCUSSION

The main ratios that the Development Bank uses are examined in this chapter. The information was gathered from the NRB annual report and the relevant websites. The e-views program is used to gather, tabulate, and display the data. The research approach contains the theoretical information. Additionally, the study's main conclusions are presented at the chapter's conclusion.

4.1 Descriptive Analysis

The mean, median, standard deviation, observation, and lowest and maximum values related to the variables under investigation comprise the descriptive statistics utilized in this investigation. The descriptive data for the dependent and independent variables, which were gathered from four Development Banks in Nepal over the ten-year research period from 2013–14 to 2022–23, are summarized in Table 3.

Table 2

Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	N
ROA	1.3260	1.230	2.79	0.0200	0.7802	40
ROE	20.0268	16.7750	40	4.0000	9.8271	40
CR	0.7291	0.5000	2.67	0.0040	0.6686	40
LR	84.2688	84.4000	94.67	72.5800	4.1264	40
OC	3.2340	2.0900	8.75	0.6200	2.4610	40
CAR	15.2250	13.9000	30.60	11.1900	3.8812	40

Source: Calculated by using E-views software.

ROA gauges how well a business makes money off of its assets. With a mean ROA of 1.3260, banks are typically generating a return on their assets of 1.3260%. The median ROA, at 1.230%, is slightly lower than the mean, suggesting a right-skewed distribution. The maximum ROA observed is 2.79%, while the minimum is a mere 0.0200%. The relatively low standard deviation of 0.7802 indicates that ROA values tend to cluster around the mean.

ROE (Return on Equity), which evaluates a company's profitability in relation to shareholders' equity, the mean ROE is considerably higher at 20.0268%. This

suggests that, on average, companies in the dataset are generating a robust return for their shareholders. With certain companies generating extraordinarily high returns, the distribution is right-skewed, as seen by the median ROE of 16.7750%. ROE might be as low as 4.0000% and as high as 40%. The very high standard deviation of 9.8271 suggests that ROE values vary significantly.

The degree of risk connected to a company's creditworthiness is evaluated by CR (Credit Risk). The median CR is 0.5000, while the mean is 0.7291. This indicates a certain amount of right-skewness, where a small number of businesses with high credit risk levels may be the cause of the median being lower than the mean. The measured CR ranges from 0.0040 to 2.67, which is the highest. With a comparatively moderate standard deviation of 0.6686, credit risk variability is moderate.

In banks, the possibility of not being able to satisfy short-term financial obligations because of a lack of liquid assets is known as liquidity risk, or LR. With a median of 84.4000 and a mean LR of 84.2688, the distribution is rather steady. The measured LR ranges from 72.5800 to 94.67, which is the highest. The 4.1264 standard deviation indicates that leverage ratios are not very variable.

Operating costs, or OCs, are the expenses a business incurs during regular business operations. With a median of 2.0900, the average operational cost is 3.2340. This suggests a distribution that is biased to the right, with certain businesses having noticeably greater operating expenses. The recorded minimum running cost is 0.6200, while the maximum is 8.75. The operational cost variability is moderate, as indicated by the standard deviation of 2.4610.

A bank's capital adequacy is evaluated in proportion to its risk-weighted assets using the Capital Adequacy Ratio, or CAR. The median CAR is 13.9000, while the mean is 15.2250. This implies a relatively right-skewed distribution, with greater capital adequacy ratios for some institutions. The observed CAR ranges from 11.1900 to 30.60, which is the highest. The capital adequacy ratios exhibit moderate variability, as indicated by the standard deviation of 3.8812.

4.2 Correlation Coefficients

The dependent and independent variable correlation coefficients for the four development banks throughout the 2013–14–2022–2023 research period. Pearson's

correlation coefficients are calculated once the descriptive statistics have been provided, and the outcomes are shown in Table 4. More precisely, it displays the Nepalese Development Bank's dependent and independent variable correlation coefficients. As a result, it makes sense to anticipate that these variable pairings would have some sort of statistically significant link. Therefore, the purpose of this section is to describe the size and direction of the link between various pairings of these particular variables.

The degree and direction of a linear relationship between dependent and independent variables are measured by correlation. Utilizing correlation analysis, the study demonstrated the relationship between the independent factors—credit risk (CR), liquidity risk (LR), operating cost (OC), and capital adequacy ratio—and the dependent variables, return on equity (ROE) and return on assets (ROA).

Table 3

Correlations Coefficients

Correlation Probability	ROA	ROE	CR	LR	OC	CAR
ROA	1					
ROE	-0.0487	1				
	(0.7655)					
CR	-0.1266	-0.4889	1			
	(0.4363)	(0.0014)				
LR	-0.0285	0.2219	-0.0843	1		
	(0.8615)	(0.1688)	(0.6051)			
OC	-0.7057	0.2612	-0.1956	0.0669	1	
	(0.0000)	(0.1035)	(0.2264)	(0.6818)		
CAR	-0.1952	0.0155	0.1400	0.1141	-0.1584	1
	(0.2273)	(0.9243)	(0.3889)	(0.4833)	(0.3289)	
N	40	40	40	40	40	40

Source: Calculated by using E-views software.

The following are the relationships between Nepalese development banks' ROA (Return on Assets) and other financial factors during the 2013–14–2022–2023 research period:

With a correlation value of -0.1266 between ROA and CR (Credit Risk), there is a little negative association. It's crucial to remember that, given the corresponding p-value of 0.4363, this link is not statistically significant. Similarly, there is a very weak negative correlation (-0.0285) between ROA and LR (Liquidity Risk), and the p-value of 0.8615 indicates that this association is not statistically significant.

On the other hand, ROA and OC (Operating Cost) show a statistically significant negative association of 0.7057 (p-value = 0.0000). Last but not least, there is a modest negative connection (p-value of 0.2273) between ROA and CAR (Capital Adequacy Ratio) of -0.1952. However, like the previous correlations, this one is not statistically significant.

The following trends show up when looking at the relationships between ROE (Return on Equity) and several financial factors for Nepalese development banks over the 2013–114–2022–2023 research period:

First, with a correlation value of -0.4889, ROE and CR (Credit Risk) have a somewhat negative relationship. Crucially, this association is statistically significant (p-value = 0.0014), indicating that Return on Equity (ROE) tends to decline as Credit Risk (CR) rises. This might be a hint of a risk-return trade-off. Conversely, ROE and LR (Liquidity Risk) show a slight positive association of 0.2219; however, this connection is not statistically significant (p-value = 0.1688). Similarly, ROE and OC (Operating Cost) have a slight positive association of 0.2612, although this link is also not statistically significant (p-value = 0.1035). Finally, the capital adequacy ratio (CAR) and ROE have a very weak connection (0.0155) that is not statistically significant (p-value = 0.9243).

Key factors and financial performance measurements have a strong link with one another in the context of development banks. Operating Cost and ROA (Return on Assets) showed a strong and statistically significant positive link, highlighting the significance of cost control in raising ROA. Furthermore, there was a substantial negative association between credit risk and ROE (return on equity), indicating that higher credit risk may have a negative effect on ROE. The main effects of operating costs and credit risk on these performance indicators were highlighted by the lack of statistically significant correlations between ROA and ROE and other variables, such as liquidity risk, operating cost, and capital adequacy ratio.

4.3 Regression Analysis

Following the indication of the correlation coefficients and the presentation of the findings, the regression coefficient was calculated. More precisely, it displays how the following independent variable ratios—credit risk (CR), liquidity risk (LR), operational cost (OC), and capital adequacy ratio—are affected by regression on the dependent variables Return on Assets (ROA) and Return on Equity of Nepalese Development Bank.

Pooled OLS and a fixed effect model were used to analyze panel data from four development banks with 40 observations from 2013–14 to 2022–23.

Table 4

OLS regression output (ROA) as Dependent Variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	0.018729	0.142290	0.131624	0.8960
LR	-0.012282	0.022697	-0.541134	0.5918
OC	0.222112	0.038706	5.738385	0.0000
CAR	-0.015895	0.024476	-0.649419	0.5203
C	1.871056	1.909936	0.979643	0.3340

R-squared	0.509715
Adjusted R-squared	0.453682
F-statistic	9.096754
Prob(F-statistic)	0.000038

Source: Calculated by using E-views software.

With a t-statistic of 5.738385 and a significant coefficient of 0.222112, operating cost (OC) has a considerable positive influence on ROA. According to this statistically significant link (p-value < 0.001), ROA tends to rise in tandem with operating costs.

With a t-statistic of 0.131624 and a coefficient of 0.018729, Credit Risk (CR) has a very slight positive impact on ROA, and this effect is not statistically significant (p-value = 0.8960).With a coefficient of -0.012282 and a t-statistic of -0.541134, liquidity risk (LR) and ROA appear to have a weakly negative association, although

this link is not statistically significant (p-value = 0.5918).With a coefficient of -0.015895 and a t-statistic of -0.649419, the Capital Adequacy Ratio (CAR) has a somewhat negative impact on ROA; however, this effect is not statistically significant (p-value = 0.5203).

Regression analysis of the dependent variable, ROA (Return on Assets), offers important information about how it relates to the chosen independent variables. A relatively strong fit is shown by the R-squared (R^2) value of 50.97%, which shows that the independent variables in the model can account for about half of the variability in ROA. The model maintains a significant degree of explanatory power despite its complexity, as indicated by the Adjusted R-squared, which takes into account the number of predictors, which is 45.37%. Additionally, the model's overall statistical significance is confirmed by the exceptionally low p-value ($p < 0.0001$) obtained from the F-statistic, which evaluates the model's overall significance.

Table 5

Fixed effect regression output (ROA) as Dependent Variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	-0.128110	0.166510	-0.769384	0.4473
LR	0.005364	0.021417	0.250467	0.8038
OC	0.174590	0.043707	3.994529	0.0004
CAR	-0.022241	0.024706	-0.900224	0.3747
C	0.741367	1.766434	0.419697	0.6775

R-squared	0.658743
Adjusted R-squared	0.584093
F-statistic	8.824428
Prob(F-statistic)	0.000005

Source: Calculated by using E-views software.

A considerable rise in ROA is linked to an increase in operating costs (OC), as indicated by the significant coefficient of 0.174590. This effect is statistically

significant (p-value = 0.0004), indicating that ROA may benefit from increased operating costs.

With a correlation of -0.128110, Credit Risk (CR) indicates that a rise in CR is linked to a fall in ROA. However, this effect is not statistically significant (p-value = 0.4473), suggesting that ROA may not be significantly impacted by changes in credit risk. The coefficient for liquidity risk (LR) is 0.005364, meaning that changes in LR have a negligible positive effect on ROA. Nevertheless, this effect is not statistically significant (p-value = 0.8038), indicating that ROA may not be significantly impacted by liquidity risk. With a value of -0.022241, the Capital Adequacy Ratio (CAR) suggests that changes in CAR have a somewhat detrimental effect on ROA. Variations in CAR may not have a substantial influence on ROA, nevertheless, as this impact is not statistically significant (p-value = 0.3747).

Key data provide insight into the model's effectiveness in this Fixed Effect Regression impact study for ROA (Return on Assets) as the dependent variable. A high overall fit is shown by the R-squared (R^2) value of 65.87%, which shows that changes in the independent variables included in the model account for a significant amount of the variance in ROA. The model's strong explanatory power is further demonstrated by the Adjusted R-squared, which is significant at 58.41% even after taking predictor complexity into consideration. The model's overall statistical significance is confirmed by the extremely low p-value ($p < 0.0001$) returned by the F-statistic, which measures the model's collective significance.

Table 6

Test result of Likelihood Ratio (Pooled OLS VS Fixed effect)

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.658178	(3,32)	0.0082
Cross-section Chi-square	14.494070	3	0.0023

Source: Calculated by using E-views software.

When comparing the Pooled OLS (Ordinary Least Squares) model to the Fixed Effect model using the Likelihood Ratio Test, the attention shifts to the corresponding p-values from two crucial tests: the Cross-section F-test and the Cross-section Chi-square test. Interestingly, the p-values from each of these tests are significantly lower

than the standard significance level of 0.05. Given this strong evidence, the null hypothesis—which asserts that the Pooled OLS model is superior—is strongly refuted in favor of the Fixed Effect model. Accordingly, the results show that the Fixed Effect model is the best option for this dataset. This preference suggests the presence of fixed effects, or individual-specific effects, that have a substantial impact on the dependent variable (ROA) and should be included in the model. The Fixed Effect technique is appropriate for this research because these fixed effects capture unobserved differences between individual units that significantly affect ROA but are not taken into consideration in the Pooled OLS model.

Table 7

OLS regression output (ROE) as Dependent Variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	-6.661916	2.134354	-3.121280	0.0036
LR	0.385438	0.340461	1.132108	0.2653
OC	0.701622	0.580596	1.208452	0.2350
CAR	0.223667	0.367145	0.609205	0.5463
C	-13.27080	28.64908	-0.463219	0.6461

R-squared	0.304743
Adjusted R-squared	0.225285
F-statistic	3.835278
Prob(F-statistic)	0.010943

Source: Calculated by using E-views software.

The t-statistic of -3.121280 and the coefficient of -6.661916 demonstrate that Credit Risk (CR) significantly reduces ROE. According to this, a rise in credit risk significantly lowers ROE, and this effect is statistically significant (p-value = 0.0036), underscoring the significance of controlling credit risk in order to preserve greater ROE.

According to the t-statistic of 1.132108 and the coefficient of 0.385438, liquidity risk (LR) has a marginally positive effect on ROE. Nevertheless, this effect is not statistically significant (p-value = 0.2653), suggesting that ROE may not be greatly impacted by changes in liquidity risk. With a coefficient of 0.701622, operating cost (OC) appears to have a somewhat favorable effect on ROE. This effect is not

statistically significant (p-value = 0.2350), similar to liquidity risk, suggesting that changes in operating costs could not have a major impact on ROE. With a value of 0.223667, the Capital Adequacy Ratio (CAR) has a somewhat positive effect on ROE. Like the preceding factors, this influence is not statistically significant (p-value = 0.5463), indicating that ROE may not be considerably impacted by changes in CAR.

A reasonable degree of explanatory power is shown by the R-squared (R^2) value of 30.47%, which shows that the independent variables taken into account in the model can account for around 30.47% of the variability in ROE. At 22.53%, adjusted R-squared, which accounts for predictor complexity, indicates that the model has considerable explanatory power even after taking into consideration the complexity brought about by several factors. The model as a whole is statistically significant, according to the p-value of 0.010943 obtained from the F-statistic, which is used to evaluate the model's overall significance. Although the R-squared values show a modest overall fit, this implies that the independent factors taken together help to explain differences in ROE.

All things considered, the impact study shows how important credit risk is as a driver of ROE, with rising credit risk significantly lowering ROE. Nevertheless, in our research, the effects of operating costs, liquidity risk, and the capital adequacy ratio on ROE are marginal and not statistically significant.

Table 8

Fixed effect regression output (ROE) as Dependent Variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CR	-2.180659	2.637039	-0.826935	0.4144
LR	0.388675	0.339181	1.145923	0.2603
OC	1.836263	0.692199	2.652795	0.0123
CAR	0.229806	0.391278	0.587322	0.5611
C	-20.57378	27.97522	-0.735429	0.4674

Source: Calculated by using E-views software.

R-squared	0.460556
Adjusted R-squared	0.342552
F-statistic	3.902903
Prob(F-statistic)	0.003511

Source: Calculated by using E-views software.

With a coefficient of 1.836263, operating cost (OC) has a somewhat favorable effect on ROE. This effect is statistically significant (p-value = 0.0123), indicating that there is a substantial correlation between rising operating costs and rising ROE. With a value of -2.180659, Credit Risk (CR) indicates that changes in CR have a marginally detrimental effect on ROE. Variations in credit risk may not have a major influence on ROE, nevertheless, as this impact is not statistically significant (p-value = 0.4144). At 0.388675, Liquidity Risk (LR) has a somewhat favorable effect on ROE. Nevertheless, this effect is not statistically significant (p-value = 0.2603), indicating that ROE may not be greatly impacted by changes in liquidity risk. With a value of 0.229806, the Capital Adequacy Ratio (CAR) suggests that adjustments to CAR have a somewhat favorable effect on ROE. Like the preceding factors, this influence is not statistically significant (p-value = 0.5611), suggesting that ROE may not be significantly impacted by changes in CAR.

The model's independent variables account for around 46.06% of the variance in ROE, according to R-squared (R^2), a metric used to assess goodness of fit. With an adjusted R-squared of 34.26% that takes predictor complexity into account, the model appears to have considerable explanatory power despite its complexity. The model's overall significance is tested using the F-statistic, and the p-value (p = 0.003511) shows that the model is statistically significant overall.

Table 9

Test result of Likelihood Ratio (Pooled OLS VS Fixed effect)

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.080951	(3,32)	0.0413
Cross-section Chi-square	10.149678	3	0.0173

Source: Calculated by using E-views software.

In the Likelihood Ratio Test comparing the Pooled OLS (Ordinary Least Squares) model to the Fixed Effect model, the focus is on the p-values associated with the Cross-section F-test and the Cross-section Chi-square test to determine which model is better. Cross-section F-test: This test has a p-value of 0.0413. Cross-section Chi-square test: The p-value for this test is 0.0173. Both tests return p-values below the typical significance level of 0.05, indicating statistical significance. This suggests that

both tests reject the null hypothesis that the Pooled OLS model is preferred over the Fixed Effect model.

Consequently, the Fixed Effect model is favored above the Pooled OLS model based on the likelihood (p-values). This suggests that there are individual-specific effects (fixed effects) that should be taken into account when modeling your data, and that the Fixed Effect model is probably a better fit for your data. Unobserved variations among individual units that impact the dependent variable (ROE) and are not taken into consideration in the Pooled OLS model may be captured by these fixed effects.

4.4 Discussion

Strong and statistically significant negative correlations were discovered between Return on Equity (ROE) and Credit Risk, as well as between Return on Assets (ROA) and Operating Cost, according to the correlation study done for this dissertation. Return on assets (ROA) and the factors under investigation—credit risk, liquidity risk, and capital adequacy ratio—do not statistically significantly correlate. Likewise, no statistically significant associations were discovered between ROE and the Capital Adequacy Ratio, Operating Cost, or Liquidity Risk, underscoring the special importance of Credit Risk in influencing ROE. Nonetheless, Karim and Alam (2015) used a number of measures to assess the financial performance of a few Bangladeshi banks. They discovered important connections between financial performance metrics, asset management, operational effectiveness, bank size, and credit risk. The study's regression analysis showed that the factors examined—credit risk, liquidity risk, and capital adequacy ratio—do not have statistically significant effects on return on assets (ROA). This implies that operating costs have a significant influence on ROA's performance in Nepalese development banks, while other factors also play a role. But according to a research done in Bahrain by Pinto et al. (2022), profitability significantly affected financial leverage and capital adequacy but not efficiency. They also observed that, maybe as a result of the financial and oil crises, increased capital adequacy ratios had a detrimental impact on profitability. Indian banks were discovered by Srinivasan and Britto (2021), who also pointed out that private sector banks performed better than their state sector counterparts. The beneficial effects of liquidity, solvency, and efficiency on profitability were highlighted in their study. Furthermore, the regression analysis showed that the capital adequacy ratio, liquidity risk, and operating cost had no discernible effects on return

on equity (ROE), underscoring the unique role that credit risk plays in ROE. Based on our regression analysis, these results highlight the intricate and varied character of financial performance in this industry. Similarly, Biru's (2021) research in Ethiopia showed that return on equity (ROE) and return on assets (ROA) were positively and significantly impacted by microeconomic parameters such as capital adequacy, asset quality, liquidity, and the number of bank branches. Dey (2021), who concentrated on Bangladesh, discovered that while capital sufficiency had a negative association with profitability, asset quality, operating performance, and bank size showed favorable relationships. Liquidity had a positive but insignificant effect on profitability.

CHAPTER V
SUMMARY AND CONCLUSION

This chapter provides a concise overview of the whole study and focuses on the key conclusions of the four Nepalese development banks that were the subject of the investigation. Additionally, a separate portion of this chapter discusses the main results, which are followed by some suggestions for enhancing the Nepalese commercial bank's performance indicator. The chapter concludes by outlining the extent of further study on this topic.

5.1 Summary

As a component of the Master of Business Studies curriculum, the research "Financial performance analysis of Development banks in Nepal" is a thorough investigation. Its main goal is to assess how performance metrics affect Nepal's commercial banks' market values, providing important information about how viable they are as investment prospects. The financial performance of Nepalese Development banks indicators on ROA and ROE of these banks holds paramount significance for investors, fund managers, and regulatory authorities, enabling them to make informed decisions regarding investment strategies, fund selection, and market analysis.

In order to accomplish the study's goals, four different development banks in Nepal were chosen, covering the years 2013–14–2022–2023. While a number of independent factors, such as credit risk, liquidity risk, operational cost, and capital adequacy ratio, were investigated, the dependent variables in this attempt were return on equity and return on assets. The study used secondary data, which was painstakingly collected from a variety of sources, including reports from the Nepal Rastra Bank (NRB) and the official websites of the pertinent development banks.

The study's three-pronged approach to research technique included descriptive, casual comparative, and correlational research designs. E-views software was used to conduct a thorough analysis of the data once it was gathered. A variety of tables, including regression, correlation, and descriptive statistics, were used to show the results.

Operating Cost and ROA (Return on Assets) showed a strong and statistically significant positive link, highlighting the significance of cost control in raising ROA. Furthermore, there was a substantial negative association between credit risk and ROE (return on equity), indicating that higher credit risk may have a negative effect on ROE. Regression study results also show that ROA is significantly impacted by operating cost (OC), with a high positive correlation suggesting that ROA tends to rise in tandem with operating cost. Similarly, credit risk has a negative effect on ROE, meaning that a bank's return on equity tends to decline as credit risk rises.

5.2 Conclusion

To sum up, the examination of the dataset about Nepalese development banks has produced important information on the factors that influence financial performance indicators, namely Return on Equity (ROE) and Return on Assets (ROA). Notably, the study shows that ROA is positively impacted by Operating Cost (OC) in a strong and statistically significant way, underscoring the critical role that cost control plays in enhancing profitability in the banking industry. On the other hand, Credit Risk (CR) is a key determinant of ROE, with larger levels of credit risk substantially lowering ROE. This highlights the necessity of effective credit risk management techniques in maintaining high returns on equity. Nevertheless, the study failed to find statistically significant relationships between ROA and other factors like capital adequacy ratio (CAR) and liquidity risk (LR), highlighting the unique influence of operating costs on return on assets in development banks' financial performance. Likewise, ROE showed modest and non-significant relationships with LR, OC, and CAR. Furthermore, the Fixed Effect model is preferred over the Pooled OLS model, indicating the presence of individual-specific effects that significantly influence ROE and ROA. In conclusion, our results offer important new information to banking sector participants, highlighting the importance of efficient cost control and credit risk reduction techniques in raising profitability and preserving strong financial performance in Nepalese development banks.

It might be necessary to do more study to thoroughly examine other variables that might have an impact on these financial performance indicators.

5.3 Implications

The following implications are sent to bank managers, regulators (NRBs), investors, competitors, and further researchers in light of these findings: Managers of banks: Bank managers must to be aware of the robust positive relationship that exists between Return on Assets (ROA) and Operating Cost (OC). This implies that a bank's profitability may be considerably increased by efficient expense control. To increase ROA, managers should concentrate on maximizing operational effectiveness and reducing expenses. Additionally, as Credit Risk (CR) management significantly impairs Return on Equity (ROE), they should be very attentive to it. Maintaining a healthy loan portfolio and putting strong credit risk management procedures into place can support better ROE.

Regulators (NRB, Nepal Rastra Bank): When developing rules and regulations for the banking sector, regulators such as Nepal Rastra Bank should take the findings into account. Regulations should push banks to implement effective cost structures and uphold responsible credit risk management procedures since operating costs have a major impact on ROA and credit risk on ROE. To guarantee the stability and profitability of banks, these factors should be the main focus of monitoring and supervision.

Investors: The strong correlation between ROA and operating costs is something that investors in the banking industry should be aware of. Better returns on assets could be provided by banks that have a solid cost management history. They should exercise caution when investing in banks that have significant credit risk, though, since this might have a negative impact on ROE. Making educated investment selections requires doing due research on a bank's exposure to credit risk.

Competitors: By acknowledging the significance of cost control in enhancing profitability (ROA), rival banks might take note of the findings. They should look for ways to cut costs and improve operational efficiency in order to remain competitive. Furthermore, being aware of how Credit Risk lowers ROE highlights how important it is to keep a healthy loan portfolio. By demonstrating their effective credit risk management procedures, rivals may set themselves apart.

Additional Researchers: These results point to directions for future study for those working in the subject. The processes behind the correlation between Credit Risk and ROE and Operating Cost and ROA may be further investigated. To give a thorough grasp of financial performance in the banking industry, research can also examine how other factors affect these performance indicators.

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APPENDIX

Company	Year	LQ	OC	CAR	CR	ROA	ROE
MNBBL	2013/14	83.07	8.75	12.14	0.59	2.22	27.5
MNBBL	2014/15	85.44	7.89	12.52	0.45	2.52	40
MNBBL	2015/16	83.15	6.77	13.17	0.19	2.42	32.63
MNBBL	2016/17	87.83	6.25	12.28	0.09	2.79	34
MNBBL	2017/18	91.3	7.02	14.71	0.02	2.49	21.27
MNBBL	2018/19	82.07	2.11	14.2	0.004	1.8	17.21
MNBBL	2019/20	82.61	2.22	13.44	0.07	1.65	19.24
MNBBL	2020/21	80.94	2.2	13.23	0.46	1.07	12.16
MNBBL	2021/22	82.76	1.63	11.19	0.23	1.14	16.94
MNBBL	2022/23	82.88	1.51	11.8	0.21	1.11	16.61
JBBL	2013/14	72.58	3.44	20.3	1	1	12.65
JBBL	2014/15	83.03	2.11	18.43	2.67	1.01	10.64
JBBL	2015/16	80.02	1.76	17.05	1.98	1.39	16.25
JBBL	2016/17	78.28	1.73	16.76	1.39	1.7	21.22
JBBL	2017/18	86.9	1.76	30.6	0.96	1.73	20.46
JBBL	2018/19	82.66	1.81	19.25	0.4	1.48	16.23
JBBL	2019/20	88.84	1.98	16.27	0.54	1.46	14.52
JBBL	2020/21	79.33	2.08	15.08	0.92	1.15	11.04
JBBL	2021/22	83.49	1.69	13.04	0.84	1.11	12.8
JBBL	2022/23	86.36	1.7	12.74	1.47	0.94	10.22
GBBL	2013/14	80.78	2.22	12.13	0.02	0.02	34.05
GBBL	2014/15	87.07	2.1	13.79	0.12	0.02	38.61
GBBL	2015/16	86.55	1.65	15.63	0.29	0.02	39.09
GBBL	2016/17	86.77	1.55	16.53	0.31	0.02	39.87
GBBL	2017/18	89.51	1.7	24.99	0.24	0.02	39.47
GBBL	2018/19	88.83	1.72	18.84	0.27	0.02	16.51
GBBL	2019/20	85.83	0.8	14.44	0.2	1.53	14.92
GBBL	2020/21	77.77	0.75	13.87	0.79	1.15	11.14
GBBL	2021/22	82.04	0.62	11.43	0.72	1.15	13.48
GBBL	2022/23	85.31	1.73	13.48	0.85	1.29	11.58
KSBBL	2013/14	86.11	8.16	12.88	0.18	2.68	17.7
KSBBL	2014/15	78.74	7.45	13.76	0.17	2.09	19.24
KSBBL	2015/16	81.51	6.25	13.57	0.29	2.27	22.42
KSBBL	2016/17	86.64	3.35	14.25	1.03	1.32	24
KSBBL	2017/18	87.53	6.7	12.76	1.39	2.14	20.4
KSBBL	2018/19	85.35	7.7	21.58	1.13	1.56	12
KSBBL	2019/20	94.67	2.16	16.81	0.97	1.07	9
KSBBL	2020/21	81.6	2.44	14	1.79	0.33	4
KSBBL	2021/22	87.26	1.95	13.93	1.61	1.17	16
KSBBL	2022/23	87.34	1.95	12.13	2.31	0.99	14

Sources: Annual Report of Sample Development Banks F.Y. 2013/14-2022/23

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ABSTRACT This study aims to find the Analysis of Financial Performance of Development **Banks in Nepal**

. For this purpose, four banks are selected namely Muktinath Bikash Bank Limited, Jyoti Bikash Bank Limited, Garima Bikash Bank Limited, Kamana Sewa Bikash Bank Limited as a sample of the study during period 2013/14-2022/23.

The secondary data are used to examine the analysis of financial performance of selected banks. The data used in this study are obtained from published annual reports and official **websites of the sample banks, and**

NRB

website. The tools used on the study are statistical tools, which are descriptive statistics, correlation coefficient and regression analysis. Return on assets and Return on equity **are the selected dependent variables while credit risk, liquidity risk, operating expenses, capital adequacy ratio were the independent variables. The** finding **of the study show, the**

correlation analysis conducted in this dissertation there is strong and statistically significant negative correlations were found between Return on Assets (ROA) and Operating Cost as well as a notable negative correlation between Return on Equity (ROE) and Credit Risk. There are no statistically significant correlations between

Return on Assets (ROA) **and the** examined variables, including **Liquidity Risk, Capital Adequacy Ratio, and**

Credit Risk. Similarly, no statistically significant correlations were found between Return on Equity (ROE) and Liquidity Risk, Operating Cost, or Capital Adequacy Ratio, highlighting the unique significance of Credit Risk in impacting ROE. The regression analysis conducted in this study revealed that Return on Assets (ROA) does not exhibit statistically significant impacts from the examined variables, including Liquidity Risk, Capital Adequacy Ratio, and Credit Risk. This suggests that ROA's performance in Nepalese development banks is independently influenced, with Operating Cost having a prominent