

**DETERMINANTS OF PROFITABILITY OF COMMERCIAL
BANKS IN NEPAL**

**A dissertations submitted to the office of the Dean, Faculty of Management in
partial fulfilment of the requirement for the Master's Degree**

by

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Certifications of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled: Determinants of profitability of Commercial Banks: The work of this dissertation has not been submitted previously for the proposal of content of any degrees nor has it 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 source and literature used are cited in the reference section of the dissertation.

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Report of Research Committee

Ms. Sanipa Kumara Chaudhary defended research proposal entitled determinants of profitability of Commercial banks in Nepal; successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Prof. Sanjay Kumar Shrestha and submit the thesis for evaluation and viva voce examination.

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We have examined the dissertation entitled “**Determinants of profitability of commercial banks in Nepal**” presented by Sanipa Kumara Chaudahry, a candidate for the degree of Master of Business Studies (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABSTRACT

High revenue generation and wholesome growth of the banks are the utmost aim of a commercial bank which come with careful insight of the prevailing situation and prognosis of the upcoming hurdles. There are certain core factors that govern these and this study was conducted with the objective to analyze the bank specific factors that affect the profitability of commercial banks in Nepal.

Out of prevailing 28 commercial banks, secondary data of six commercial banks from year 2011/12 to 2017/18 were considered to analyze the factors that affects profitability and tested the existing relationship between explanatory variables (capital adequacy, loan to total assets, deposit to total assets) and profitability measurement: Return on Assets and Return on Equity by using correlation analysis.

The study used descriptive and analytical research approach to analyze factors that affect profitability and the significance was tested at 5% level of significance. SPSS and Excel software were used to analyze the data. Multiple regression models were used to investigate the impact of explanatory variables on bank profitability.

The correlation analysis revealed that return on assets (ROA) had negative correlation with explanatory variables capital adequacy ratio (CAR), deposit to total assets (DTAR), Loan to total assets (LTAR) whereas it had positive correlation with ROA. Among these explanatory variables capital adequacy ratio (CAR) had significant positive relation with ROE where as DTAR and LTAR showed negative relationship with ROE.

The empirical result revealed that capital adequacy, loan to total assets, deposit to total assets had insignificant negative impact on ROA whereas capital adequacy ratio, loan to total assets had negative impact on ROE whereas Deposit to total assets had significant positive impact on ROE.

ABBREVIATIONS

BOK	:	Bank of Kathmandu Limited.
CAR	:	Capital adequacy Ratio
DTAR	:	Deposit to total assets
HBL	:	Himalayan Bank Limited
LTAR	:	Loan to total assets
MBL	:	Machhhapuchre Bank Limited
NABIL	:	Nabil Bank Limited
NBBL	:	Nepal Bangladesh Bank Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
SBIBL	:	Nepal SBI Bank Limited