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Effect of financial literacy on retirement preparedness among Nepalese commercial bank employees

Radhe S. Pradhan, Ph.D. & Khem Raj Dahal

Abstract

This study examines the effect of financial literacy on retirement preparedness among Nepalese commercial bank employees. Retirement planning is the dependent variable. The independent variables are age, gender, education, level of income, basic financial literacy and advanced financial literacy. The primary source of data is used to assess the opinions of the respondents regarding the financial literacy and retirement planning. The study is based on 172 respondents from 20 Nepalese commercial banks. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the relationship and importance of financial literacy and retirement preparedness among Nepalese commercial bank employees.

The result shows that age is positively related to the retirement planning. It indicates that higher the age of the employee, higher would be the planning for retirement. Likewise, the result shows that education is positively related to retirement planning. It indicates that higher the education, higher would be the retirement planning. The study also shows that level of income is positively related to retirement planning. It indicates that increase in income level leads to increase in retirement planning. Similarly, the study reveals that basic financial literacy is positively related to retirement planning. It indicates that higher the level of basic financial literacy, higher would be the planning for retirement. Furthermore, the study reveals that advance financial literacy is positively related to the retirement planning. It indicates that higher the level of advance financial literacy, higher would be the retirement planning. The regression results also show that beta coefficients are positive for age, education, level of income, basic financial literacy and advance financial literacy. However, the results are significant only for age, basic financial literacy and advance financial literacy at 5 percent level.

Keywords**:** *age, gender, education, level of income, basic financial literacy, advance financial literacy and retirement planning***.**

I. Introduction

Every employee wants to retire with lots of financial security, relaxation, peace of mind and a good playtime with grandchildren. However, this becomes a reality only if one has saved enough during their active (younger) working life. It takes a good planning and careful evaluation of one's position at every stage. Thinking about retirement in advance can help in understanding the retirement process and in gaining a sense of control over the future (Kapoor *et al.*, 1994).

Retirement planning is not a compulsory but rather an option of personal choice on financial preparation and management partly based on how an individual strategize his or her income for saving, investments and spending (Tuan *et al.,* 2011). Worthington (2005) defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use of management and money. Remund (2010) defined financial literacy as a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finance. Mohamed (2015) argued that financial education at a very early age can reduce the financial illiteracy and alleviate financial difficulties among youth significantly. Children can take greater control over the development of their financial capability through lessons learned from financial education. Linking youth with financial education from an early age will help to exposure to the importance of financial planning and it subsequently would have an impact on deciding their future career.

Hogarth (2002) defined financial literacy as the ability to understand matters of financial nature that allows an individual to make informed and effective decisions through their understanding of finance. It is the way how people manage their money in terms of insuring, spending, saving, budgeting and investing. Huston (2010) argued that financial literacy includes the ability and confidence of an individual to use his/her financial knowledge to make better financial decisions and gives control to their money. Worthington (2005) defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use of management and money. Remund (2010), on the other hand, defined it as a measure of understanding key financial concepts.

Permanent and pensionable employment is where the employee is permanently engaged to the organization and is entitled to pension, benefits at the expense of the employment period. Eche (2011) defined pension as a periodical payment and/or a lump sum reward on a contractual legally enforceable agreement between an employer and an employee. Nwagwu (2014) argued that pension is simply the amount set aside either by an employer or the employee or both to ensure that at retirement, there is something to fall back on as income. It ensures that at old age, retirees will not be stranded financially; rather they will have socio-economic value to society at large and meet their social needs in particular.

Many retirees often live miserable lives as a result of reduced income upon retirement due to lack of forward planning. The reduction in income or lack of it may lead to retirees suffering particularly addressing the health issues. Even though economic explanations for these shortfalls include dispersion in discount rates, risk aversion, and credit constraints, the empirical literature has however not been able to account for much of the observed wealth differentials (Bernheim *et al.,* 2001). On

the other hand, Pension finance literacy enables individuals to plan for retirement, make proper choices on pension products and contribute effectively in management of their pension schemes (Njuguna & Otsola, 2011). It also influences the saving behavior and member participation in pension schemes of individuals and in turn contributes to economic growth of countries (Agnew *et al.,* 2007).

Taylor and Doverspike (2003) argued that wealth and health are two of the most important factors contributing to a successful retirement. Health is one of the most important issues that people enjoy while they are still in employment. Without adequate wealth and employment, health can be a real challenge as consumption at retirement may not be sustainable and thus will fall sharply.

Huston (2010) defined financial literacy as measuring how well an individual can understand and use personal finance related information or efficient decision making. It is a person's ability to understand and make use of financial concepts. It means being knowledgeable and assured in the area of earning, spending, saving, budgeting and investing in different circumstance. Thus, these definitions of financial literacy deal with the achievement of skills necessary to make informed and effective decisions regarding earning, spending, managing the money and saving.

One of the important decisions to be made by individual in his/her life is regarding planning and saving for retirement which is one of the key variables in sound long-term financial actions. Ameriks *et al.* (2003) shown that financial literacy is closely tied to retirement planning and planning in turn, matters for the accumulation of wealth. The decision of how much to save for retirement is a complex one. It requires collecting and processing information on a large set of variables including social security and provisions, inflation, interest rates, financial markets, and also making predictions about future values of these variables (Lusardi and Mitchell, 2008). According to Jappelli and Padula (2013), stock of financial literacy early in life is positively correlated with the stocks of literacy and wealth later in life.

Keating and Marshal (1980) concluded that individuals do not become interested in retirement finances until they are 48 years of age. The study observed that most of these people start to engage in business while they are just about to retire or when they have retired. An individual is considered to be prepared for retirement when accumulated savings is sufficiently high to generate income at least equal to a given pre-retirement level of consumption (Yuh *et al.,*1998). Warshawsky and Ameriks (2000) argued that financial preparedness for retirement infers that the individual is prepared to maintain a profile of financial independence throughout the entire retirement period and that the kind of lifestyle one was enjoying at the time of active employment is achieved even after stoppage of active formal employment.

Keizi (2006) revealed that the goal of social protection is not mere survival, but social

inclusion and preservation of human dignity, on the other hand too liberal use of non-retirement purpose runs the risk of depleting accumulated balance and leaving too little capital for retirement. Poterba (1996) observed that many households retire without proper financial preparation. Di Vito and Pospiech (2012) arugued that as individuals approach retirement, the question of whether they are financially prepared becomes top of mind.

Pension literacy varies both according to socio-demographic group and according to the knowledge being tested. Those who know more about their pension stand to gain the most. People gain pension literacy as that knowledge becomes more useful (Skog, 2006). Illiteracy is concentrated among those with low income, low education, minorities, and women and they are also less likely to plan for retirement (Lusardi and Mitchell, 2008). The key reason for it is that they fail to understand key financial concepts particularly related to bonds, stocks, mutual fund and the working of compound interest. (Lusardi and Mitchell, 2011).

In the context of Nepal, various social security programs like old age support, health care support, maternity benefits, employee provident fund and pension have been in place for a long period of time. The provision of a flat rate pension to the elderly, widows and poor households of specific groups in designated geographical areas have been undertaken through public budget supported program. Also, the pension (direct benefit) is provided to the public-sector employees (Paudel, 2012). Shah (2017) revealed that financial literacy is highly related with education, behavior, influence and attitude. According to Chaulagain (2017), there is positive relationship between financial literacy and investment behavior.

Above discussion shows there is no consistency in the studies concerning financial literacy and retirement preparedness. Therefore, this study has been conducted to analyze the relationship between financial literacy and financial preparedness of the employee. More specifically, this study examines the impact of age, gender, education, level of income, basic financial literacy and advanced financial literacy on financial preparedness of the employee in Nepalese commercial banks.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 172 respondents of 20 Nepalese commercial banks. Table 1 shows the list of sample commercial banks along with the number of respondents selected for the study.

Table 1: Number of the commercial banks selected for the study along with the number of observations

S.N.	Name of the banks	No. of observation
1	NMB Bank Limited	8
2	ADBL	10
3	NIC Asia Bank Limited	7
4	Bank of Kathmandu Limited	9
5	Global IME Bank Limited	10
6	Kumari Bank Limited	9
7	Janata Bank Limited	9
8	Mega Bank Limited	9
9	Laxmi Bank Limited	7
10	Prime Commercial bank	9
11	Nepal SBI Bank Limited	9
12	Himalayan Bank Limited	9
13	Standard Chartered Bank Limited	9
14	Machhapuchchhre Bank Limited	8
15	Nepal Bank Limited	11
16	PrabhuBankLimitd	9
17	Rastriya Banijya Bank Limited	9
18	Sanima Bank Limited	7
19	Century Commercial Bank Limited	8
20	Civil Bank Limited	6
Total number of observations		**172**

Thus, the study is based on 172 observations.

The model

The model estimated in this study assumes that the retirement planning depends on age, gender, income, education, basic financial literacy and advance financial literacy. Therefore, the model takes the following form:

Retirement planning = *f*(age, gender, income, education, financial literacy)

More specifically,

$RET=\beta_0 + \beta_1 GN + \beta_2 AGE + \beta_3 EDU + \beta_4 INC + \beta_5 BFL + \beta_6 AFL + e$

Where,

RET = Retirement planning

GN = Gender

AGE = Age of the employees

EDU = Highest education degree

INC = Monthly income

BFL = Basic financial literacy

AFL = Advance financial literacy

Financial literacy was measured in terms of basic financial literacy and advance financial literacy. Four questions were asked to measure basic financial literacy and six questions were asked in order to ascertain advance financial literacy. Respondents answering two or more basic questions right were assigned value 1 that indicates having basic financial literacy and respondents failing to answer at least two questions were classified as lack of basic financial literacy and 0 is assigned to them. Similarly, respondents giving four or more than four advanced literacy related answers were assigned 1 and failing respondents were assigned 0.

The following section describes the independent variables used in this study.

Financial literacy

Financial literacy determines a person's ability to provide sufficiently for retirement (Lusardi & Mitchell, 2007). Financial literacy has been found to be an important variable in influencing individual retirement saving decisions (Hershey &Mowen, 2000; Hershey& Walsh, 2000). Lursadi and Mitchell (2006) found that individuals with more financial knowledge are more likely to plan. Sabri *et al.* (2008) found that financial literacy to be one of the influential predictors of financial wellness among the employees. Consistent with the foregoing, a positive relationship is expected in between financial literacy and retirement planning decision. Based on it, this study develops the following hypothesis:

H_1: There is positive relationship between financial literacy and retirement planning.

Education

The literacy level and planning differ in both private and public sector with respect to the difference in education level, income and benefits provided by both sectors (Lammam *et al.*,2015). Grable and Joo (1999) found that financial education has significant effects on financial planning behaviors. Jappelli (2010) also reported that level of financial literacy differs in terms of different social security system adopted in different countries. This could be relevant for government bank and private bank as both have different social security system. A higher level of education attainment leads to a higher likelihood of participating in a pension plan (Bell *et al.*, 2005). Based on it, this study develops the following hypothesis:

H_2: There is positive relationship between the education level of employees and planning for retirement.

Income level

Individual's incomes are positively correlated to their knowledge and awareness of pension matters (Agnew *et al*. 2003). Higher income raises the chances of planning for wealth accumulation (Attanasio & Szekely, 2000). Huberman *et al.* (2007) found that people with low income make less plans than high income persons because of their expectations that the public pension system will ensure them with a retirement income. Financial literacy tends to increase with income level and wealth. Meier and Sprenger (2008) found that financial knowledge is positively correlated to income level (Guiso and Jappelli, 2005). The same is true with regard to inflation expectation (Bruine de Bruin *et al.,* 2010). A higher income raises the chances of planning for

wealth accumulation (Attanasio & Szekely, 2000). Based on it, this study develops the following hypothesis:

H_3: There is a positive relationship between income level and retirement planning.

Age

Among the young, financial literacy is generally low but with the increase in age literacy level also increases so does the planning for retirement (Lusardi*et al.,* 2010). However, in general, studies have found that financial literacy tends to increase with age in adults, peaking in middle age and declining slightly thereafter (Monticone, 2010). Agarwal *et al.* (2009) revealed that interest payments and fees were lowest among individuals in middle age, rising in youth and old age. It has been found that people who were taught to manage their money effectively at a younger age, were more financially responsible, as opposed to those who had learned little or nothing from their parents (Jorgensen, 2007). A study targeted towards young adults determined that these individuals are highly influenced by their parents (Jorgensen & Savla, 2010). Based on it, this study develops the following hypothesis:

H_4: There is positive relationship between age and retirement planning.

Gender

It has been found that males are more likely to have a positive attitude towards retirement plan than females (Atchley, 1982). According to Lusardi and Mitchell (2008), Guiso & Jappelli (2005), and Van Rooij *et al*. (2011), women tend to have significantly less financial knowledge than men, particularly on the topic of risk diversification. Hastings *et al.,* (2010) also identified gender gap to play an important role in deciding the level of financial literacy. Jefferson (2012) found a clear gender effect on the retirement planning. Chen and Volpe (2002) revealed that gender differences in financial literacy remain statistically significant after controlling for other factors such as education, class rank, ethnic background, nationality, years of work experience, age and annual income. Based on it, this study develops the following hypothesis:

H_5: There are significant differences between retirement planning of male and female employee.

III. Results and discussions

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose Kendall's Tau correlation coefficients have been computed and the results are presented in Table 2.

Table 2: Kendall's correlation matrix

This table presents the Kendall's Tau correlation coefficients between dependent and independent variables. RET (retirement planning) is the dependent variable and GN(gender), AGE(age), EDU (academic qualification), INC (monthly income), BFL (Basic financial literacy) and AFL (advanced financial literacy) are the independent variables.

	Mean	SD	GN	AGE	EDU	INC	BFL	AFL
GN	1.45	.50	1					
AGE	2.59	1.39	0.05	1				
EDU	2.65	.77	0.18	0.53**	1			
INC	2.22	.88	0.14	0.73**	0.69**	1		
BFL	.91	.28	0.24**	0.24**	0.24**	0.21**	1	
AFL	.74	.44	0.11	0.13	0.16*	0.18*	0.28**	1
RET	4.10	.50	0.02	0.02	0.08	0.03	0.17*	0.19**

Note: The asterisk signs (**) and (*) indicate that the correlations are significant at 1 percent and 5 percent levels respectively.

The result shows that age is positively related to retirement preparedness. It indicates that increase in age leads to increase in planning for retirement. Similarly, education is positively related to retirement planning. It indicates that higher the education, higher would be the plan for retirement. The result also shows positive relationship between income and retirement planning. It indicates that high the income, higher would be the preparedness for retirement planning. The result also shows that there is a positive relationship between basic financial literacy and retirement preparedness. This implies that employees having high level of basic financial literacy would highly regard and plan for the retirement. Similarly, advance financial literacy is also positively related to retirement. It indicates that higher the financial literacy, higher would be the retirement planning.

Regression analysis

Having indicated the Kendall's correlation coefficients, the regression analysis has been carried out and the results are presented in Table 3. More specifically, it presents the regression results of age, gender, education, level of income, basic financial literacy and advanced financial literacy on retirement planning.

Table 3: Estimated regression results of gender, age, education, income, basic and advance financial literacy on retirement planning

The results are based on 172 observations by using linear regression model. The model is RET=β_0+ β_1*GN* + β_2*AGE* + β_3*EDU* + β_4*INC* + β_5*BBF* +β_6 *AFL + e. where RET (retirement planning) is the dependent variable and GN(gender), AGE(age), EDU (academic qualification), INC (monthly income), BFL (Basic financial literacy) and AFL (advanced financial literacy) are the independent variables. Values in the parenthesis are t-values.*

Model	Intercept	Regression coefficients of						Adj.R2	SEE	F-Value
		GN	AGE	EDU	INC	BFL	AFL			
1	4.09 (34.62)**	0.06 (0.08)						0.13	0.5	7.16
2	4.15 (51.02)**		0.02 (3.98)**					0.03	0.51	3.15
3	3.99 (28.91)**			0.04 (0.86)				0.23	0.52	53.35
4	4.19 (40.36)**				0.04 (0.92)			0.02	0.53	2.18
5	3.82 (29.88)**					0.29 (2.19)*		0.11	0.49	4.82
6	3.93 (53.47)**						0.21 (2.49)*	0.27	0.48	6.2
7	4.14 (28.89)**	0.01 (0.02)	0.02 (4.16)**					0.27	0.5	33.21
8	3.91 (28.18)**	0.02 (0.29)	0.06 (3.82)**	0.11 (1.74)				0.16	0.51	23.15
9	3.94 (20.4)**	0.01 (0.15)	0.04 (2.67)**	0.19 (2.46)*	0.17 (1.82)			0.19	0.39	1.73
10	3.93 (26.56)**		0.01 (3.26)**		0.05 (0.67)	0.34 (2.47)*		0.28	0.49	2.32
11	3.88 (26.59)**				0.07 (1.68)	0.26 (2.85)**	0.19 (2.13)*	0.28	0.48	3.87

Note: The asterisk signs (**) and (*) indicate that the coefficients are significant at 1 percent and 5 percent levels respectively.

The result shows that beta coefficients are positive and significant for age at 5 percent level. It indicates that age has positive significant impact on retirement planning. The results also show the beta coefficient of gender is with retirement planning. However, the coefficients are not significant at 5 percent level of significance. It indicates that there is no significant difference between the retirement planning of male and retirement planning of female respondents. This finding is consistent with the findings of Atchley (1982) and Lusardiet al. (2010). Likewise, beta coefficient for education is positive with retirement planning. It reveals that education has positive impact on retirement planning. This finding is similar to the findings of Ntalianis & Wise (2011).

The results show that beta coefficient of income is positive. It indicates that income level has positive impact on retirement planning. This finding is similar to the findings of Huberman et al. (2007). Additionally, beta coefficients are positive and significant for basic and advanced financial literacy at 5 percent level. It shows that

financial literacy has positive impact on retirement planning. The result is similar to the findings of Sekita (2011).

IV. Summary and conclusion

The study examines the impact of financial literacy on employee retirement planning in Nepalese commercial banks. The study is based on the primary sources of the data collected from 172 respondents of 20 commercial banks. Data are collected on retirement planning, basic financial literacy, advance financial literacy, age, gender, education and income level.

The result shows that there is a positive relationship between age and retirement planning. It indicates that higher the age of employee, higher would be the planning for retirement. Likewise, the result shows that there is a positive relationship between education and retirement planning. It indicates that higher the education, higher would be the retirement planning. The study also shows that level of income is positively related to retirement planning, which indicates that increase in income level leads to increase in retirement planning. Similarly, the study reveals that financial literacy is positively related to the retirement planning. It indicates that higher the level of financial literacy, higher would be the retirement planning. The regression results also show that age, education, level of income, basic financial literacy and advance financial literacy have positive impact on retirement planning. However, the results are significant only for age, basic financial literacy and advance financial literacy at 5 percent level. Therefore, this study concludes that financial literacy followed by age are the major factors influencing the retirement planning of employee in Nepalese commercial banks.

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Effect of brand and price on subjective product evaluation

Ashish Khadka

Abstract

This study examines the effect of brand and price on subjective product evaluation. Subjective product evaluation is the dependent variable. Brand, price, quality and odd-even pricing are selected independent variables. The primary source of data is used to assess the opinions of the respondents on impact of brand and price on product evaluation by the consumers. The survey is based on 100 respondents from the consumers. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of brand and price on subjective product evaluation.

The result shows that brand have positive relationship with subjective product evaluation indicating that better the brand, higher would be the subjective product evaluation. Likewise, price and quality also have positive relationship with subjective product evaluation which reveals that better theprice and quality, higher would be the subjective product evaluation. The result further shows that odd-even pricing has positive relationship with product evaluation. This indicates that higher the odd-even pricing, higher would be the product evaluation. The regression result reveals that beta coefficient for brand, price, quality, and odd-even pricing and its significant impact on subjective product evaluation by the consumers.

Keywords: *Subjective product evaluation, brand, price, quality and odd-even pricing.*

I. Introduction

A brand is a name, term, design, symbol, or other feature that distinguishes an organization or product from its rivals in the eyes of the customer. Brands are used in business, marketing, and advertising.Olson (1977) studied that the limitations of single-cue studies in that they are overly simplified and the results concerning price effects have doubtful external validity, and limited internal validity. He reviewed that the effect of brand name generally was strong in the price cue literature, appearing both as a main effect and as an interaction effect positioning a product with respect to different cues is all the more important in today's competitive business scenario. Even in many instances, cues act as a quick tool in adjusting marketing strategies. For instance, marketers "understanding of how price as a cue works on consumers" perceptions of value, enable it to formulate a pricing strategy for the target consumers.

While there is little empirical evidence that odd prices produce a more favorable buyer response than even prices, two studies in the past 15 years have addressed this question. Using a quasi-experimental design in a field setting examined ten products in a six-store chain of department stores (Georgoff, 1969). Retail price endings were manipulated over a four-week period with the dependent measures being sales. Results showed only random variations between price policy and sales. Lambert (1975) observed the impact of odd pricing. When paired with an even price at five different price levels, the odd price was perceived by subjects as statistically significantly lower in two situations, statistically significantly higher in one, and not statistically significantly different in the other two pairs.

Monroe (1973) indicated that the odd-even phenomenon assumes that the consumer is perceptually sensitive to certain prices (odd prices), and a departure from these prices (co an even price) results in a decrease in demand. He concluded that there was no significant evidence supporting the psychological explanation of increased perceptual sensitivity. Moreover, research has shown that consumers have differential price thresholds such that a small difference in price will not likely produce a perception that the prices are different.

Evans and Berman (1982) explained that the evidence justifying the use of odd and even prices has been founded on "feelings" rather than research data. This paper reports an experiment that studied the influence of price and brand information, and the influence of odd and even prices on subjective product evaluations. After a brief review of the relevant literature, specific hypotheses are presented, and the research design, measures, and results are described. The conclusion discusses the results in terms of the influence of price and brand information as well as the odd-even price phenomenon on subjective product evaluations. Stanton (1981) revealed that the seller's basic belief in odd pricing indicates that there is little concrete evidence to support sellers' beliefs in the value of odd prices.

Do consumers perceive a difference in product quality and value based on small price differences? Do consumers react differently to a price of $39.95 as compared to a price of $40.00 for a given product? McCarthy and Perreault (1984) revealed that marketers use odd prices because of the belief that consumers respond more favorably to these prices, perhaps because consumers perceive an odd price as substantially lower than the next highest even price. A random perusal of other introductory marketing texts indicates that other writers share this opinion. Kotler (1980) revealed that many sellers believe that buyers favor odd prices over even prices. Instead of pricing a stereo amplifier at $300, the seller will price it at $299.95 or $295. Presumably, the customer perceives this odd price as a $200 price rather than a $300 price, or perceives it as a discount from the full price. Evans and Berman (1982) studied that the evidence justifying the use of odd and even prices has been founded on "feelings" rather than research data. Stanton (1981) explained that outlining the seller's basic belief in odd pricing indicates that there is little concrete evidence to support sellers' beliefs in the value of odd prices.

Previous research on the relationship between price and perceived quality can be examined in two ways. First, single-cue studies generally have found a statistically significant price-perceived quality relationship. They are overly simplified and the

results concerning price effects have doubtful external validity, and limited internal validity, (Olson ,1977).

Second, the multi-cue studies have manipulated other cues such as brand name, store image, and other information in addition to price. While attempting to overcome the limitations of the single cue studies, these multiple cue studies have typically found positive price-perceived quality relationships, although they have not always been statistically significant (Monroe and Krishnan, 1984).

Potential confounds in the multi-cue studies that have led to this guarded conclusion may be similar to the role brand has played in these price-perceived quality studies. One key concern is whether the price differences in the price manipulations would likely produce perceptual discriminations by the subjects. Monroe and Krishnan (1984) suggested the statistically significant price-perceived quality relationship is inconclusive, if this result could be due to indiscernible price differences. Instead of relying on statistical significance to examine the relationship, Monroe and Krishnan (1984) examined effect sizes, and concluded that although there was support for a positive price-perceived quality relationship, the limited database warranted a more intensive research effort.

Olson's (1977) revealed the effect of brand name generally was strong in the price cue literature, appearing both as a main effect and as an interaction effect. However, a review of the six studies that examined both price and brand effects reveals a lack of a consistent and clear relationship. Table 1 shows that differences in the types of products utilized, the price manipulations, and the brand manipulations offer plausible reasons for the mixed outcomes.

Monroe and Krishnan (1984) observed the previous conclusions indicate that brand name information dominated price information in the perception of quality. However, in their assessment of this literature, they discovered that price had a more positive effect on product quality perception when brand information was present than when brand information was absent. This finding suggests that the interaction of price and brand information not only is strong, but that the influence of price on quality perception becomes stronger in the presence of brand information than by itself. Thus, since past studies did not conceptualize the relationship in this manner, the magnitude of the interaction effect between price and brand name has not been investigated.

In the context of Nepal, Neupane (2015) studied the traditional brand and new brand have their own strengths. Digital and social media are parts of the technological revolution. Digital market is an experimental platform for advertising. Digital media can be a tool for integrated marketing but traditional media is needed for the establishment of brands. Conventional media is also necessary for the growth of digital and social media.

The brand management before agencies and their clients embark on branding campaigns of products and services.No business (or freelancer) can afford to overlook their brand or assume that they do not have one. The right brand (one that is true to your business values and in line with what your target audience need or

want) can positively influence how people perceive you, can drive new business and increase awareness of your business (Shrestha, 2006).

The above discussion reveals that there is no consistency in the findings of various studies concerning the effect of brand and price in subjective product evaluation.

The main purpose of the study is to examinethe effect of brand and price in subjective product evaluation. More specifically, it examines the subjective product evaluation level from brand, price, quality and odd-even pricing.

The remainder of this paper is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 100 respondents of Kathmandu valley. The respondents' views were collected on brand, price, quality and odd-even pricing.

The Model

As the first approximation, the model estimated in this study assumes that subjective product evaluation depends on the several independent variables. Therefore, the model takes the following form:

$$PE= \beta 0 +\beta 1PQP +\beta 2BQP +\beta 3ODP+E0$$

Where

PE= Product evaluation

B0 = Constant variable

PQP = Price quality perception

BQP= brand quality perception

ODP= Odd even pricing

E0 = other factors

Odd-even pricing

Odd-even pricing is a pricing strategy involving the last digit of a product or service price. Prices ending in an odd number, such as $1.99 or $78.25, use an odd pricing strategy, whereas prices ending in an even number, such as $200.00 or 18.50, use an even strategy. McCarthy and Perreault (1984) revealed that there is a positive relationship between odd-even pricing and subjective product evaluation because consumers perceive an odd price as substantially lower than the next highest even price. Kotler (1980) studied that there is a positive relationship between odd-even pricing and subjective product evaluation as many sellers believe that buyers favor odd-even pricing while evaluating the product of their choice. Evans and Berman (1982) examined that there is a significant positive relation between odd-even price and product evaluation as evidence justifying the use of odd and even prices has

been founded on "feelings" rather than research data. Based on it,this research has developed following hypothesis:

H_1: There is a positive relation between the odd even pricing with the quality perception of price and brand

Brand

A brand is a name, term, design, symbol, or other feature that distinguishes an organization or product from its rivals in the eyes of the customer. Brands are used in business, marketing, and advertising. Olson's (1977) studied that there is a positive relation between the brand image and subjective product evaluation as the effect of brand name generally was strong in the price cue literature, appearing both as a main effect and as an interaction effect.Gardner (1970) revealed the positive relation between brand and product evaluationas they discovered that brand had a more positive effect on product quality perception.Bearden &Shimp (1982) identified that brand is an important cue affecting perception of consumers regarding to the product evaluation and choice.Based on it this research hasdeveloped following hypothesis:

H_2: There is a positive relation between the brand and the productive evaluation with the price and quality.

Price

Price is one of the indispensible factors which play a significant role in product evaluation by the consumers. Olson (1977) identified the positive effect of price over consumer's product evaluation as consumers are more focused towards the price for reasonable and effective selection. Monroe and Krishnan (1984) examined the positive side of price with product evaluation. and concluded that there was support for a positive price-perceived quality relationship. Kim (1995) revealed that there is a positive relationship between price and subjective product evaluation as it creates a lasting impression on minds of customers. Based on it this research hasdeveloped following hypothesis:

H_3: There is a positive relation between the price with the product evaluation with the size and perception.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 1.

Table 1: Kendall's correlation matrix for the dependent and independent variables

(The table shows the Kendall's correlation coefficients of different dependent and independent variables. The correlation coefficients are based on the primary data collected from 100 observations. Dependent variable is SPA(psychological pricing method based on the belief that certain prices or price ranges are more appealing to buyers). Independent variables are B(brand is a name, term, design, symbol, or other feature that distinguishes an organization or product from its rivals in the eyes of the customer), P(price is the quantity of one thing that is exchanged or demanded in barter or sale for another.),Q(quality isthe standard of something as measured against other things of a similar kind; the degree of excellence of something)and OEP(Odd-even pricing is a pricing strategy involving the last digit of a product or service price).

Variables	Standard deviation	Mean	B	P	Q	ODP	Y
B	0.93	2.70	1				
P	0.87	2.86	0.272	1			
Q	0.96	2.61	0.449**	0.217**	1		
ODP	0.95	2.88	0.422**	0.352**	0.416**	1	
Y	0.81	2.51	0.229**	0.237**	0.317**	0.353**	1

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The table reveals the positive relationship between brand and price with subjective product evaluation. This means that competent branding and effective pricing leads to increase in subjective product evaluation. Similarly, the result also shows the positive relationship of quality and odd-even pricing withsubjective product evaluation. This indicates that positioned quality and proper odd-even pricing leads to higher subjective product evaluation.

Regression analysis

Having indicated the Kendall's correlation coefficients, regression equations have been computed and the results are presented in Table 2. More specifically, it shows the regression of subjective product evaluation on influencing factors like: price, quality, brand and odd-even pricing.

The result indicates that beta coefficients are positive for brand. It reveals that more effective the brand management, higher would be the product evaluation. This finding is similar to the findings of Olson's (1977). Similarly, the beta coefficients are positive for price. It indicates that more effective the pricing strategy, higher would be the subjective product evaluation. This finding is similar to the findings ofMonroe and Krishnan (1984). The beta coefficients for quality arepositive with subjective product evaluation which denotes that better the quality, higher would be the product evaluation. This finding is similar to the finding ofBearden &Shimp (1982).

Likewise, the beta coefficients are positive for odd-even pricing. It indicates that better odd-even pricing strategy, higher would be the product evaluation. This finding is similar to the findings ofKotler (1980).

Table 2: Estimated regression result of brand, price, quality and odd-even pricing on subjective product evaluation

The results are based on panel data 0f 100 observation by using regression model. The model is: SM= $\beta_0 + \beta_1 PQP + \beta_2 BQP + \beta_3 ODP + E_0$, where, PQP (Price quality perception), BQP(brand quality perception), ODP(Odd even pricing)and Q(quality) are independent variables and E_0 (other factors). Dependent variable is SPE(subjective product evaluation).

Model	Intercept	B	P	Q	ODP	R^2	SEE	F-value
1	1.355 (5.402)**					0.178	0.745	23.304
2	1.201 (5.515)**			0.455 (6.341)**		0.276	0.695	40.202
3	1.466 (6.629)**		0.387 (5.007)**			0.189	0.735	25.069
4	1.371 (6.857)**				0.438 (6.089)**	0.259	0.702	37.078
5	1.060 (4.709)**	0.285 (2.719)**			0.266 (2.836)**	0.303	0.681	23.397
6	0.845 (3.355)**				0.351 (4.747)**	0.321	0.678	25.379
7	1.060 (4.709)**	0.285 (2.719)*			0.266 (2.836)**	0.303	0.681	23.379
8	1.000 (4.329)**	0.255 (2.291)*		0.290 (2.879)**		0.305	0.681	23.564
9	0991 (3.759)**	0.273 (3.050)**	0.274 (3.296)**			0.250	0.707	18.206
10	0.806 (3.129)**	0.243 (2.835)*	0.076 (0.744)*		0.308 (3.332)**	0.319	0.674	17.051
11	0.918 (3.836)**	0.211 (1.818)*	0.117 (1.241)*	0.249 (2.350)*		0.308	0.679	16.307
12	0.485 (3.355)**				0.351 (4.747)**	0.321	0.672	25.379

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

IV. Summary and conclusion

Over the past thirty years researchers have attempted to answer that question. Yet, perhaps because there are some problems in how previous research has investigated the price-perceived quality relationship, there is conflicting evidence on the issue. Moreover, the effect of brand information on the perception of quality has received limited attention, again with inconsistent results. A third enigma on how price may influence buyers' evaluations of products is whether buyers respond more favorably to odd prices than to even prices. Despite the limited evidence indicating buyers to not respond differently between odd and even prices, basic marketing textbooks and sellers continue to believe in the odd-even phenomenon.Branding is a set of marketing and communication methods that help to distinguish a company or products from competitors, aiming to create a lasting impression in the minds of customers. The key components that form a brand's toolbox include a brand's identity, brand communication (such as by logos and trademarks), brand awareness, brand loyalty, and various branding (brand management) strategies.Effective

branding can result in higher sales of not only one product, but of other products associated with that brand.

The study attempts to examine the effect of brand and price on subjective product evaluation. This study is based on the primary data which were gathered from 100 respondents. The variables that examine the effect of brand and price on subjective product evaluationarebrand, price, quality and odd-even pricing.

The study shows that brand and price has positive and significant impact on subjective product evaluation. It indicates that better the brand and pricing management, higher would be the product evaluation. The study also reveals that there is positive impact of quality and odd-even pricing. It indicates that better the quality and odd-even pricing strategy, higher would be the product evaluation.

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Nepalese
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Bank specific and external factors affecting net interest margin in Nepalese commercial banks

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Abstract

The study examines the impact of bank specific and external factors on net interest margin in Nepalese commercial banks. The dependent variables are net interest margin and net interest margin. The independent variables are return on assets, efficiency, capital adequacy ratio, cash reserve ratio, non-performing loans, inflation rate and economic growth. This study is based on the secondary sources of data that are collected from 20 Nepalese commercial banks through 2009/2010 to 2016/2017, leading to a total of 137 observations. The data were collected from annual reports and website of the selected Nepalese commercial banks. The regression models are estimated to test the significance and impact of bank specific variables and external factors on net interest margin of Nepalese commercial banks.

The study shows that there is a positive relationship of return on assets with net interest margin. It indicates that increase in return on assets leads to increase in net interest margin. Likewise, there is a positive relationship of capital adequacy ratio with net interest margin. It indicates that higher the capital adequacy ratio, higher would be the net interest margin. Similarly, cash reserve ratio is positively correlated to net interest margin. It means that higher the cash reserve ratio, higher would be the net interest margin. The study also shows that non-performing loan is positively correlated to net interest margin. It reveals that higher the non-performing loans, higher would be the net interest margin. Similarly, there is a positive relationship of inflation rate with net interest margin. It indicates that higher the inflation rate, higher would be the net interest margin. However, GDP growth rate is negatively correlated to net interest margin. It indicates that higher the GDP growth rate, lower would be the net interest margin. The result also shows that cash reserve ratio is positively correlated to net interest income. It means that higher the cash reserve ratio, higher would be the net interest income. The study also shows that there is a negative relationship of inflation rate with net interest income. It indicates that higher the inflation rate, lower would be the net interest income. The regression results show that the beta coefficients for return on assets and efficiency are positive and significant with net interest margin. The result also shows that inflation rate has negative impact on net interest margin.

Keywords: *Net interest margin, net interest income, return on assets, capital adequacy ratio, cash reserve ratio, non-performing loan, inflation rate and GDP growth rate.*

I. Introduction

Commercial banks play a vital role in the economy by undertaking intermediation functions. Banking business involves receiving funds from the public, granting

loans and advances and investing funds in different areas. The interest paid to the depositor and the interest charged on the borrower creates a spread called interest margin. The banks pay lower interest to the depositors and charge higher interest to the borrowers. In this sense, net interest margin is the difference between interests earned and interests paid by a bank divided by its total assets (Tarus *et al.,* 2012). Similarly, net interest margin (NIM) is net interest income expressed as a percentage of average interest-earning assets. Furthermore, net interest margin is a measure of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders, relative to the amount of their (interest-earning) assets (Lartey *et al*., 2013). Likewise, Liu *et al.* (2012) described that the net interest margin of a bank is a representation of net interest return and it produces sufficient earning to enhance the capital base.

Net interest margin is expected to increase bank profits which can buffer banks from macroeconomics shocks and shocks due to liquidity problems (Uhde and Heimeshoff, 2009). However, liquidity is negatively related to the net interest margin (Vodova, 2013). Similarly, Anber and Alper (2011) found that net interest margin has insignificant impact on profitability. Net interest margin indicates the efficiency of financial intermediation (Hamadi and Awdeh, 2012). Similarly, a competitive banking system foster greater efficiency which is reflected in lower net interest margins (Rudra and Ghost, 2004). High interest margins create obstacles for the expanding bank's financial intermediation functions in the country, as lower deposit rates discourage savings, and high loan rates reduce the investment opportunities of banks. Consequently, banks expected to carry out intermediation function at the lowest cost possible in order to promote overall economic growth.

Interest margin is an important policy factor as it shows how efficiently bank performs their intermediary roles of collecting savings and allocating loans. Mostly in developing countries, high net interest margin is often associated with the presence of inefficiencies in the banking system. As a result of inefficiency, banks incur high operating costs which are transferred to bank customers by charging high interest rates (Barajas *et al.,* 1999). Similarly, Demirgüç-Kunt and Huizinga (1999) revealed that decrease in net interest margin may not match with efficiency improvement of banks. It is, therefore, essential for policymakers and bank experts to look for those determinants of net interest margin that affect efficiency of banking business. Likewise, Tarus *et al.* (2012) recommended registering lower interest margins by creating the necessary market conditions to enhance their efficiency.

Plakalovic (2014) explained that the interest margins of locally owned banks are noticeably higher compared to the large foreign-owned banks. The positive impacts on net interest margin of foreign ownership banks suggested that foreign-owned banks reduce operating costs in order to offer more competitive interest margins. Likewise, Allen (1988) argued that credit risk is important to set interest margin. Similarly, McShane and Sharpe (1985) associated the interest rate risk of the money market with the interest margin. Furthermore, Angbazo (1997) considered both credit risk and interest rate risk as factors affecting interest rate risk. Maudos and Guevara (2004) identified a number of determinants of interest margins and showed that the degree of competition and operational costs are both important

to the interest margin. Lower net interest margins usually mark deeper and more developed financial markets, encourage investment activities and support economic growth (Schwaiger and Liebeg, 2009). Under certain conditions, high net interest margin is indicated with a high risk premium, while the conditions of increasing competition will encourage speculative behaviour of the banking system that could lead to financial instability (Hellmann *et al*., 2000).

Higher the net interest margin, higher would be the bank's profit and stability (Khrawish, 2011). Williams (2016) observed that banks with higher levels of non-interest income face more risk. Likewise, Keeley (1990) found a positive relationship between bank's net interest margin and banking stability. The banking sector regulation have huge role in fostering market competition, building up stronger capital adequacy rules, lowering credit risk and thereby affecting net interest margins (Claeys and Vennet, 2008; Maudos and Guevara, 2004; Hasan and Khan, 2010).

Dumičić, and Rizdak(2013) found that a stable macroeconomic environment and capital inflows have lower net interest margins. On the other hand, increasing government debt and associated macro-economic risks are linked with higher margins. Similarly, a higher average net interest margin among the banking industry indicates signs of an inefficient system of financial intermediary (Sensarma and Ghosh, 2004).

On the other hand, very low net interest margin causes damage to banks' profitability (Zuzana and Tigran, 2008). Khanh and Tra (2015) explained that when operating expense increases, the bank's net interest margin would also increase and vice versa. Similarly, Angbazo (1997) and Maudos and Guevara (2004) proved a positive causal relationship between management quality and net interest margin. Likewise, Demirgüç-Kunt and Huizinga (1999) found that the high market concentration is positively correlated to the net interest margin of banks within the regarded market. The net interest margin has a positive and significant relationship with operating expenses, credit risk and inflation. However, economic growth and market concentration are negatively correlated to net interest margin in banking industries of Kenya (Tarus *et al.,* 2012). Similarly, the operating costs have a significant impact on the net interest margin, whereas inflation has a negative impact on net interest margin (Moussa and Majouj, 2016).

Saunders and Schumacher (2000) examined the determinants of bank net interest margins (NIMs) in six selected European countries and the US during the period 1988–1995 for a sample of 614 banks. The study found that regulatory components in the form of interest-rate restrictions on deposits, reserve requirements and capital-to-asset ratios have a significant impact on banks NIMs. Similarly, Kumari (2014) analysed the determinants of NIMs of domestic banks of Sri Lanka for the period of January 2002 to March 2011 based on the model developed by Ho and Saunders and its extensions using panel regression. Sri Lankan banks are inward looking in setting NIMs as operating costs, credit risk, risk aversion, non-interest income and capital adequacy requirements are determinants. Market competition, other regulations on banks, risk arising from the volatility of market prices and macroeconomic variables have insignificant impact on the determination of NIMs.

Maudos and Guevara (2004) analysed the interest margin in the principal European banking sectors (Germany, France, the United Kingdom, Italy and Spain) in the period 1993-2000 using a panel of 15,888 observations. The results showed that the fall of margins in the European banking system is compatible with a relaxation of the competitive conditions (increase in market power and concentration), as this effect has been counteracted by a reduction of interest rate risk, credit risk, and operating costs. A better management picks out better assets with high return and low cost, which increases interest revenue and thus increases the net interest margin (Maudos and Guevara, 2004). Similarly, credit risk and economic growth have insignificant relationship with net interest margin in the Vietnamese banking sector.

In the context of Nepal, Acharya (1992) revealed that the banks are maintaining adequate liquidity to meet the short term obligations. Similarly, Karki (2016) revealed that capital adequacy ratio and deposits have positive and significant impact on net interest margin. Likewise, loans and advance to total deposit ratio, loan loss provision ratio, liquidity and bank size have positive and significant impact on net interest margin. However, nonperforming loan ratio, leverage and growth of net interest income have negative and insignificant impact on net interest margin.

Shrestha *et al.* (2014) found that non-performing loan has positive and significant relationship with return on assets and net interest margin. However, the study also found that there exists a negative and insignificant relationship between net interest margin and inflation rate. Similarly, Shrestha (2016) found that assets quality, GDP growth rate and inflation as the major determinants in terms of return on assets and management efficiency and liquidity as the major determinants in terms of net interest margin. The study also revealed that return on assets, efficiency and cash reserve ratio have positive and significant impact on net interest margin. However, macroeconomic variables namely inflation and GDP growth rate have negative and insignificant impact on net interest margin.

The above discussion reveals that there is no consistency in the findings of various studies concerning the determinants of net interest margin of the commercial banks.

The main purpose of this study is to analyse the determinants of net interest margin in Nepalese commercial banks. Specifically, it examines the impact of return on assets, efficiency, capital adequacy ratio, cash reserve ratio, non-performing loan, inflation rate and GDP growth rate on net interest margin of Nepalese commercial banks.

The remainder of this study is organized as follows. Section two describes the sample, data, and methodology. Section three presents the empirical results and the final section draw conclusions and discuss the implications of the study.

II. Methodological aspects

The study is based on the secondary data which are gathered from 20 commercial banks in Nepal. The data were collected for period 2009/2010 to 2016/2017, leading to a total of 137observations. The main sources of data include annual report of selected commercial banks, Central Bureau of Statistics of Nepal and Banking and Financial Statistics published by Nepal Rastra Bank. Table 1 shows the number of

commercial banks selected for the study along with the study period and number of observations.

Table 1: Number of commercial banks selected for the study along with study period and number of observations

S. N.	Name of the banks	Study period	Number of observations
1	Nepal Credit and Commerce Bank Limited	2009/10- 2015/16	7
2	Bank of Kathmandu Limited	2009/10- 2015/16	7
3	NIC Asia Bank Limited	2010/11-2016/17	7
4	Agriculture Development Bank Limited	2009/10- 2015/16	7
5	Janata Bank Nepal Limited	2010/11-2016/17	7
6	MachhapuchchhreBank Limited	2010/11-2016/17	7
7	Laxmi Bank Limited	2010/11-2016/17	7
8	Nepal Investment Bank Limited	2009/10- 2016/17	8
9	Siddhartha Bank Limited	2010/11-2015/16	6
10	Himalayan Bank Limited	2009/10-2015/16	7
11	Nabil Bank Limited	2009/10- 2016/17	8
12	Everest Bank Limited	2009/10-2015/16	7
13	Standard Chartered Bank Nepal Limited	2009/10-2015/16	7
14	Nepal Bangladesh Bank Limited	2009/10- 2016/17	8
15	Kumari Bank Limited	2009/10- 2015/16	7
16	Nepal SBI Bank Limited	2010/11- 2016/17	7
17	Century Commercial Bank Limited	2011/12-2015/16	5
18	Global IME Bank Limited	2010/11-2016/17	7
19	Mega Bank Nepal Limited	2010/11-2015/16	6
20	Civil Bank Limited	2011/12-2015/16	5
Total number of observations			**137**

Thus, the study is based on the 137 observations.

The model

The model estimated in this study assumes that the net interest margin depends on several bank specific and external factors. The dependent variables are net interest margin and net interest income. The selected independent variables are bank specific variables and external factors. The bank specific variable includes bank size, return on assets, efficiency, capital adequacy ratio, cash reserve ratio and risk. The external factor includes inflation rate and gross domestic product. Therefore, the model takes the following form:

Net interest margin (NIM) = *f* (ROA, EFF, CAR, CRR and NPL)

More specifically, the given model has been segmented into following models:

Model1:

$$NIM_t = \beta o + \beta_1 ROA_t + \beta_2 EFF_t + \beta_3 CAR_t + \beta_4 CRR_t + \beta_5 NPL_t + \beta_6 INF_t + \beta_7 GDP_t + e$$

Model 2:

$$NII_t = \beta o + \beta_1 ROA_t + \beta_2 EFF_t + \beta_3 CAR_t + \beta_4 CRR_t + \beta_5 NPL_t + \beta_6 INF_t + \beta_7 GDP_t + e$$

Where,

NIM = Net interest margin is defined as net interest income divided by total earning assets, in percentage.

NII = **Net interest** income is the difference between interest received from assets and interest paid on liabilities, in percentage.

ROA = Return on assets is the ratio of net income divided by total assets, in percentage.

EFF = Efficiency is defined as the total operating expenses divided by total assets in a year, in percentage.

CAR = Capital adequacy ratio is the sum of Tier 1 capital and Tier 2 capital divided by risk weighted assets, in percentage.

CRR = Cash reserve ratio is defined as the amount of cash that the banks have to keep with central bank basically to drain out the excess money from banking system and to meet short-term and emergency funding needs, in percentage.

NPL = Non-performing loanis defined as non-performing loans divided by total assets, in percentage.

INF = Inflation rate is defined as the rate at which the price level of a same general basket of goods and services increases over a period of time, in percentage.

GDP = Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage.

The following section describes the independent variables used in this study.

Return on assets

Bank profitability is the ability of a bank to generate revenue in excess of cost. Profitability (ROA) is positively related to net interest margin (Lartey *et al*., 2013). Similarly, Bourke (1989) found that there is a positive relationship between liquid assets and bank profitability. Likewise, Lartey *et al*. (2013) stated that there is a strong positive correlation between net interest margin and return on assets. Based on it, the study develops the following hypothesis:

H_1: There is a positive relationship between return on assets and net interest margin.

Efficiency

According to Berger and Mester (2003), efficiency is measured by ratios (ratio of overheads on total assets) that improve the performance of banks. Liebeg and Schwaiger(2006) concluded that there is a positive relation between the interest margin and the operating expenses. Athanasoglou *et al.* (2008) proved a positive relationship in the case of Greek banks (1985-2001) and explained that a more effective bank is more capable of the best use of its resources and reduce its costs and generates a better performance. Liu *et al.* (2010) suggested that the cost efficiency has a positive and significant impact on the net interest margin. Based on it, the study develops the following hypothesis:

H_2: There is a positive relationship between efficiency and net interest margin.

Capital adequacy ratio

Capital adequacy ratio (CAR) is a measure of bank's capital. Capital adequacy ratio is the sum of Tier 1 capital and Tier 2 capital divided by risk weighted assets. According to Goddard *et al.* (2004), capital adequacy has negative relationship with bank profitability. Similarly, Dabla-Norris and Floerkemeier (2007) found a negative relationship between bank's interest margins and capital adequacy ratio. However, Havrylchyk *et al.* (2006) found a positive and direct relationship between capital and profits of banks. Based on it, the study develops the following hypothesis:

H_3: There is a negative relationship between capital adequacy ratio and net interest margin.

Cash reserve ratio

Liquidity refers to the ability of the bank to fulfil its obligations, mainly of depositors. Dang (2011) stated that adequate level of liquidity is positively related to bank profitability. Similarly, Bourke (1989) narrated that there exists a strong positive significant relationship between bank liquidity and profitability. However, Doliente (2005) explained that liquidity risk have negative and insignificant relationship with net interest margin. Based on it, the study develops the following hypothesis:

H_4: There is a positive relationship between cash reserve ratio and net interest margin.

Non-performing loan

The biggest risk faced by banks is credit risk. Non-performing loans (NPLs) are a measure of credit risk. Maudos and Guevara (2004) concluded a positive relationship of interest margins with the credit risk. Similarly, Pamuji *et al.* (2014) explained that increase in non-performing loans (NPL) leads to increase interest income and interest margin in commercial banks. Based on it, the study develops the following hypothesis:

H_5: There is a positive relationship between non-performing loan and net interest margin.

Inflation rate

Inflation rate (INF) means the rate at which the price level of a same general basket of goods and services increases over a period of time. Demirgüç- Kunt and Huizinga (1999) found a positive relationship between inflation and net interest margin in a study of 80 developed and developing countries. Similarly, Claessens *et al.* (2001) and Drakos (2002) explained that inflation rate positively affects net interest margin. Based on it, the study develops the following hypothesis:

H_6: There is a positive relationship between inflation and net interest margin.

GDP (Gross domestic product) growth rate

GDP growth rate is the value increase in an economy's capacity to produce goods and services over a certain period of time. Bernanke and Gertler (1989) concluded that there is a negative relationship between GDP growth rate and net interest margin. It indicates that higher the interest margin, lower would be the GDP growth. Similarly,

Demirgüç- Kunt and Huizinga (1999) stated that there is a negative correlation between economic growth and net interest margin. Based on it, the study develops the following hypothesis:

H_7: There is a negative relationship between GDP growth rate and net interest margin.

III. Results and discussion

Descriptive statistics

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2009/10 to 2016/17.

Table 2: Descriptive statistics

*Table 2 shows the descriptive statistics of selected dependent and independent variables of 20 Nepalese commercial banks during the period 2009/10 to 2016/17. The dependent variables are NIM (Net interest margin is defined as net interest income divided by total earning assets, in percentage and NII (***Net interest** income *is the difference between interest received from assets and interest paid on liabilities, in percentage. The independent variables are ROA (Return on assets is the ratio of net income divided by total assets, in percentage), EFF (Efficiency is defined as the total operating expenses divided by total assets in a year, in percentage), CAR(Capital adequacy ratio is the sum of Tier 1 capital and Tier 2 capital divided by risk weighted assets, in percentage), CRR (Cash reserve ratio is defined as the amount of cash that the banks have to keep with central bank basically to drain out the excess money form banking system and to meet short-term and emergency funding needs, in percentage), NPL (Non-performing loan is defined as non-performing loans divided by total assets, in percentage), INF (Inflation rate is defined as the rate at which the price level of a same general basket of goods and services increases over a period of time, in percentage) and GDP(Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage).*

Variables	Minimum	Maximum	Mean	Std. Deviation
NIM	0.00	0.12	0.04	0.02
NII	0.00	5.64	1.68	1.25
ROA	0.00	0.08	0.02	0.01
EFF	0.01	0.30	0.05	0.06
CAR	0.10	0.36	0.13	0.03
CRR	0.03	0.37	0.14	0.08
NPL	0.00	0.97	0.05	0.12
INF	0.07	0.13	0.09	0.01
GDP	0.00	0.07	0.04	0.02

Table 2 shows that the net interest margin ranges from a minimum of 0 to a maximum of 12 percent, leading to an average of 4 percent. Likewise, net interest income ranges from minimum of 0 to maximum of Rs. 5.64 billion, leading to an average of Rs1.68 in billion. The return on assets ranges from a minimum of 0 to a maximum of 8percent, leading to an average of 2percent. The efficiency ranges from a minimum of 1percent to a maximum of 30percent, leading to an average of 5percent.The capital adequacy ratio ranges from a minimum of 10percent to a maximum of 36percent, and leading to an average of 13 percent. The cash reserve ratio ranges from a minimum of 3 percent to a maximum of 37percent, leading to an average of 14 percent. The non-performing loan ranges from a minimum of 0 to a maximum of 97percent, leading to an average of 5percent. The inflation rate ranges

from a minimum of 7percent to a maximum of 13percent, leading to an average of 9percent. The GDP growth rate ranges from a minimum of 0 to a maximum of 7percent, leading to an average of 4percent.

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed. The Pearson's correlation coefficients for the selected Nepalese commercial banks have been computed and the results are presented in Table 3.

Table 3: Pearson's correlation coefficients matrix for selected Nepalese commercial banks

*This table shows the bi-variate Pearson's correlation coefficients between the selected variables used in the study. The results are based on panel data of 20 commercial banks with 137 observations for the period of 2009/10-2016/17l. The dependent variables are NIM (Net interest margin is defined as net interest income divided by total earning assets, in percentage and NII (***Net interest** income *is the difference between interest received from assets and interest paid on liabilities, in percentage. The independent variables are ROA (Return on assets is the ratio of net income divided by total assets, in percentage), EFF (Efficiency is defined as the total operating expenses divided by total assets in a year, in percentage), CAR (Capital adequacy ratio is the sum of Tier 1 capital and Tier 2 capital divided by risk weighted assets, in percentage), CRR (Cash reserve ratio is defined as the amount of cash that the banks have to keep with central bank basically to drain out the excess money form banking system and to meet short-term and emergency funding needs, in percentage), NPL (Non-performing loan is defined as non-performing loans divided by total assets, in percentage), INF (Inflation rate is defined as the rate at which the price level of a same general basket of goods and services increases over a period of time, in percentage) and GDP (Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage).*

Variables	NIM	NII	ROA	EFF	CAR	CRR	NPL	INF	GDP
NIM	1								
NII	0.515**	1							
ROA	0.359**	0.380**	1						
EFF	0.135	0.183*	0.086	1					
CAR	0.182*	-0.038	-0.103	-0.113	1				
CRR	0.188*	0.221**	0.218*	-0.199	0.008	1			
NPL	0.105	0.183*	0.042	0.029	-0.029	0.083	1		
INF	0.049	-0.116	0.216*	0.091	0.006	-0.006	-0.062	1	
GDP	-0.017	-0.059	0.038	0.004	0.084	0.124	0.012	0.668**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at 1percent and 5 percent levels respectively.

Table 3 shows that there is a positive relationship of return on assets with net interest margin. It indicates that increase in return on assets leads to increase in net interest margin. Similarly, efficiency is positively correlated to net interest margin. It means that increase in bank efficiency leads to increase in net interest margin. Likewise, there is a positive relationship of capital adequacy ratio with net interest margin. It indicates that higher the capital adequacy ratio, higher would be the net interest margin. Similarly, cash reserve ratio is positively correlated to net interest

margin. It means that higher the cash reserve ratio, higher would be the net interest margin. The study also shows that non-performing loan is positively correlated to net interest margin. It reveals that higher the non-performing loans, higher would be the net interest margin. Similarly, there is a positive relationship of inflation rate with net interest margin. It indicates that higher the inflation rate, higher would be the net interest margin. However, GDP growth rate is negatively correlated to net interest margin. It indicates that higher the GDP growth rate, lower would be the net interest margin.

The result also shows that there is a positive relationship of return on assets with net interest income. This indicates that increase in return on assets leads to increase in net interest income. Likewise, cash reserve ratio is positively correlated to net interest income. It means that higher the cash reserve ratio, higher would be the net interest income. Similarly, non-performing loan is positively correlated to net interest income. It reveals that higher the percentage of non-performing loan, higher would be the net interest income. However, there is a negative relationship of capital adequacy ratio with net interest income. It indicates that higher the capital adequacy ratio, lower would be the net interest income. The study also shows that there is a negative relationship of inflation rate with net interest income. It indicates that higher the inflation rate, lower would be the net interest income. Likewise, GDP growth rate is negatively correlated to net interest income. It indicates that higher the GDP growth rate, lower would be the net interest income.

Regression analysis

Having indicated the Pearson's correlation coefficients, the regression analysis has been computed and the results are presented in Table 4. More specifically, it shows the regression results of return on assets, efficiency, capital adequacy ratio, cash reserve ratio, non-performing loan, inflation rate and GDP growth rate on net interest margin.

Table 4: Estimated regression results of return on assets, efficiency, capital adequacy ratio, cash reserve ratio, non-performing loan, inflation rate and GDP growth rate on net interest margin

The results are based on panel data of 20 banks with 137 observations for the period 2009/10 to 2016/17, by using the linear regression model and the model is, $NIM_t = \beta o + \beta_1 ROA_t + \beta_2 EFF_t + \beta_3 CAR_t + \beta_4 CRR_t + \beta_5 NPL_t + \beta_6 INF_t + \beta_7 GDP_t + e$ *where dependent variable is NIM (Net interest margin is defined as net interest income divided by total earning assets, in percentage. The independent variables are ROA (Return on assets is the ratio of net income divided by total assets, in percentage), EFF (Efficiency is defined as the total operating expenses divided by total assets in a year, in percentage), CAR (Capital adequacy ratio is the sum of Tier 1 capital and Tier 2 capital divided by risk weighted assets, in percentage), CRR (Cash reserve ratio is defined as the amount of cash that the banks have to keep with central bank basically to drain out the excess money form banking system and to meet short-term and emergency funding needs, in percentage), NPL (Non-performing loan is defined as non-performing loans divided by total assets, in percentage), INF (Inflation rate is defined as the rate at which the price level of a same general basket of goods and services increases over a period of time, in percentage) and GDP (Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage).*

Models	Intercept	Regression coefficients of							Adj. R_bar^2	SEE	F-value
		ROA	EFF	CAR	CRR	NPL	INF	GDP			
1	0.63 (10.89)**	0.64 (4.46) **							0.22	0.02	19.92
2	0.64 (20.20)**		0.04 (1.57)						0.08	0.02	2.48
3	0.43 (4.35)**			0.11 (2.15)*					0.13	0.02	4.62
4	0.74 (11.74)**				0.14 (2.23)*				0.15	0.02	4.97
5	0.84 (25.54)**					0.02 (1.23)			0.04	0.02	1.49
6	0.34 (3.33)**						0.06 (0.57)		0.01	0.02	0.33
7	0.74 (12.51)**							-0.02 (0.19)	0.01	0.02	0.04
8	0.01 (0.98)	0.60 (4.21)**	0.05 (2.01)*	0.13 (2.99)**	0.03 (1.78)				0.18	0.02	8.89
9	0.01 (0.94)	0.59 (4.18)**	0.05 (1.96)*	0.13 (3.02)**	0.03 (1.69)	0.02 (1.05)			0.19	0.02	7.34
10	0.01 (1.13)	0.60 (4.19)**	0.05 (1.99)*	0.14 (3.07)**	0.03 (1.78)	0.02 (1.05)		-0.06 (0.89)	0.18	0.02	6.24
11	0.01 (0.14)	0.59 (3.95)**	0.05 (1.97)*	0.14 (3.07)**	0.03 (1.79)	0.02 (1.06)	0.04 (0.23)	-0.08 (0.81)	0.18	0.02	5.32

Notes:

i. Figures in parentheses are t- values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.

iii. Dependent variable is net interest margin.

Table 4 shows that beta coefficients for return on assets are positive and significant with net interest margin. It indicates that return on assets has positive impact on net interest margin. This finding is similar to the findings of Lartey *et al.* (2013). Similarly, the beta coefficients for capital adequacy ratio are positive and significant with net interest margin. It means that capital adequacy ratio has positive impact on net interest margin. This result is consistent with the findings of Dabla-Norris and Floerkemeier (2007). Likewise, the beta coefficients for efficiency are positive

and significant with net interest margin. It indicates that efficiency has positive impact on net interest margin. This finding is similar to the findings of Liebeg and Schwaiger(2006).

The estimated regression results of return on assets, efficiency, capital adequacy ratio, cash reserve ratio, non-performing loan, inflation rate and GDP growth rate on net interest income in Nepalese commercial banks are presented in Table 5.

Table 5: Estimated regression results of return on assets, efficiency, capital adequacy ratio, cash reserve ratio, non-performing loan, inflation rate and GDP growth rate on net interest income

The results are based on panel data of 20 banks with 137 observations for the period 2009/10 to 2016/17, by using the linear regression model and the model is, $NII_t = \beta o + \beta_1 ROA_t + \beta_2 EFF_t + \beta_3 CAR_t + \beta_4 CRR_t + \beta_5 NPL_t + \beta_6 INF_t + \beta_7 GDP_t + e$*where dependent variable isNII (***Net interest** income *is the difference between interest received from assets and interest paid on liabilities, in percentage. The independent variables are ROA (Return on assets is the ratio of net income divided by total assets, in percentage), EFF (Efficiency is defined as the total operating expenses divided by total assets in a year, in percentage), CAR (Capital adequacy ratio is the sum of Tier 1 capital and Tier 2 capital divided by risk weighted assets, in percentage), CRR (Cash reserve ratio is defined as the amount of cash that the banks have to keep with central bank basically to drain out the excess money form banking system and to meet short-term and emergency funding needs, in percentage), NPL (Non-performing loan is defined as non-performing loans divided by total assets, in percentage), INF (Inflation rate is defined as the rate at which the price level of a same general basket of goods and services increases over a period of time, in percentage) and GDP (Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage).*

Models	Intercept	Regression coefficients of							Adj. R_ bar²	SEE	F-value
		ROA	EFF	CAR	CRR	NPL	INF	GDP			
1	0.86 (4.29)	4.54 (4.78)**							0.24	1.16	22.85
2	1.48 (10.72)		4.05 (2.17)*						0.13	1.23	4.71
3	1.88 (4.02)			-1.55 (0.44)					0.01	1.25	0.19
4	1.18 (5.51)				3.46 (2.64)**				0.14	1.22	6.96
5	1.59 (14.12)					1.96* (2.17)			0.09	1.23	4.68
6	2.71 (3.56)						-1.03 (-1.36)		0.01	1.25	1.85
7	1.83 (7.62)							-3.96 (0.69)	0.01	1.25	0.48
8	0.77 (1.48)	4.53 (4.66)**	3.42 (1.94)	0.98 (0.30)				-5.07 (0.91)	0.15	1.15	6.94
9	2.02 (2.92)	4.54 (4.58)**	4.43 (2.58)**		2.64 (2.14)*	1.45 (1.78)	-1.34 (2.63)		0.23	1.09	9.27
10	2.31 (2.89)	4.99 (4.64)**	4.45 (2.59)**		2.46 (1.94)	1.41 (1.73)	-2.46 (2.41)	-5.09 (0.73)	0.23	1.09	7.78
11	2.18 (2.38)	4.23 (4.63)**	4.51 (2.60)**	0.88 (0.28)	2.46 (1.94)	1.41 (1.73)	-2.36 (0.26)	-4.92 (0.69)	0.23	1.09	6.34

Notes:

i Figures in parentheses are t- values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.

iii. Dependent variable is net interest margin

Table 5 shows that the beta coefficients for return on assets are positive and significant with net interest income. It indicates that return on assets has positive impact on net interest income. This result is consistent with the findings of Bourke (1989). Similarly, the beta coefficients for efficiency are positive and significant with net interest income. It means that efficiency has positive impact on net interest income. This finding is similar to the findings of Athanasoglou *et al.* (2008). However, the beta coefficients for inflation rate are negative and significant with net interest income. It indicates that inflation rate has negative impact on net interest income. This finding is similar to the findings of Drakos (2002).

IV. Summary and conclusion

The net interest margin is the most important factors that measure the efficiency of financial institutions. There are concerns mainly in the developing economies about the structure and the level of interest rates (mainly high interest rate) and their implications for the efficiency of the banking sector, where high interest rate margins may imply inefficiency of the financial sector and could act as a hindrance to investment and may also slow down the economic growth. Hence, interest margin is an important factor as it shows how efficiently banks perform their intermediary roles of collecting savings and allocating loans.

This study attempts to determine the determinants of the net interest margin in Nepalese commercial banks. The study is based on the secondary data of 20 commercial banks with total of 137 observations for the period of 2009/10 to 2016/17.

The result shows that return on assets, efficiency, capital adequacy ratio and cash reserve ratio have positive and significant impact on net interest margin. However, inflation rate has negative impact on net interest margin. Similarly, the result also shows that return on assets, efficiency and cash reserve ratio have positive and significant impact on net interest income. The study concludes that return on assets followed by efficiency, cash reserve ratio and non-performing loan is the most important factor that determines the net interest margin in the context of Nepalese commercial banks.

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Impact of employee motivation on organizational performance of Nepalese commercial banks

Bibek Pandey

Abstract

This study examines the impact of employee motivation on organizational performance of Nepalese commercial banks. Organizational performance is dependent variable. Promotion, salary, motivation, and recognition are selected as independent variables. The primary source of data is used to assess the opinion of the respondents on employee motivation and organizational performance of Nepalese commercial banks. The survey is based on 102 respondents from 14 commercial banks in Nepal. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of employee motivation and organizational performance of Nepalese commercial banks.

The result shows that promotion has positive relationship with organizational performance of Nepalese commercial banks. This indicates that higher the level of promotion, higher would be the organizational performance. the result also shows that salary is positively related to the organizational performance. This indicates that higher the level of salary, higher would be the organization performance. Likewise, motivation and recognition have positive relationship with organizational performance of Nepalese commercial banks. It indicates that higher the motivation, higher would be the organizational performance. Similarly, higher the level of recognition, higher would be the organizational performance. The regression result also reveals that beta coefficients are positive for promotion, salary, motivation, and recognition promotion.

Keywords: *Promotion, salary, motivation, recognition, organizational performance.*

I. Introduction

Motivation is an internal process that makes a person move toward a goal. Motivation, like intelligence, can't be directly observed. Instead, motivation can only be inferred by noting a person's behavior. Every organization desires to be successful as much as current environment is very competitive. Employee are the person who is hired to provide services to a company on a regular basis in exchange for compensation and who does not provide these services as part of an independent business. Employees are the key for success. They must be motivated for their work. A successful and highly productive business can be achieved by improving employee performance (Gerhart and Fang, 2014).

Employer are faced with the task of motivating employees and creating high organizational performance among their staff. Developing programs and policies that embrace organizational performance and serve to motivate employees takes time and money. When the employer understands the benefits of motivation in the workplace, then the investment in employee-related policies can be easily justified. If the employees are not satisfied with their jobs and not motivated to fulfill their tasks and achieve their goals, the organization cannot attain success (Hirschl, 2009). Thus, organizations need to conduct advance training programs to further develop the employees' skills and direct their talent tightly towards the bank's objectives (Al-Zahrani and Alcazar., 2014).

Entwistle (1987) stated that if an employee performs successfully, it leads to organizational rewards and as a result motivational factor of employees lies in their performance. Majority of the organizations require their employees to work according to the rules and regulations, as well as, job requirements that comply with full standards. The investigations that have been conducted to find the relationship between compensation and individuals were focused to increase the performance of employees (Ciscel, 1974). The highly motivated employees serve as the competitive advantage for any company because their performance leads an organization to well accomplishment of its goals. Among financial, economic and human resources. Human resources are more vital that can provide a company competitive edge as compared to others.

Business owners are constantly looking for ways to motivate their employees to be successful. If employees do not enjoy their work, it will impede on the achievement of the organization's goals. Motivating employees is one of the most common concerns of managers. One of the key factors that have an impact on the performance of an individual in the organization is their motivation. Even though many advances in technology have changed the workplace in recent years, humans still play a vital role in the operation of a business. Thus, it can be argued that the human factor is crucial to business success (Funmilola, 2013).

Lawler (2003) argued that prosperity and survival of the organizations is determined through the human resources. Most of organizations have gained the immense progress by fully complying with their business strategy through a well-balanced reward and recognition programs for employee. Deeprose (1994) argued that the motivation of employees and their productivity can be enhanced through providing them effective recognition which ultimately results in improved performance of the organizations. The entire success of an organization is based on how an organization keeps its employees motivated and in what way they evaluate the performance of employees for job compensation. Managing the performance of employees forms an integral part of any organizational strategy and how they deal with their human capital (Meyer and Kristen, 2005).

Human resource management practice is directly linked with the organizational performance. There is relationship between several HRM practices like selection, performance appraisal, training, compensation system, employee participation with firm performance. Out of these practices only training and compensation system

had positive impact on firm performance and market performance of the tiring (Singh, 2004).

Success in today's competitive market depends less on advantages associated with economies of scale, technology, patents and access to capital and more on innovation, speed and adaptability. Competitive advantages and organizational performance are largely derived from organizational human resources and high involvement of human resource management practices. Although in most of the developing countries, the main impediment of organizational growth and profitability is the sluggish use of professional HRM practices (Kuvaas and Dysvik 2010).

The relationship between motivation and organizational performance is positive, indicating higher the level of motivation, higher would be the organizational performance (Kuvaas,1987). Katou (2009) suggest that promotion is positively correlated with organizational performance which reveals that higher the level of promotion, higher would be the organizational performance. Gonchkar (2012) revealed that salary has positive impact on organizational performance, which means that higher the salary, higher would be the organizational performance.

Delery and Doty (1996) argued that there is a positive relationship between recognition and organizational performance, which means that higher the level of recognition, higher would be the organizational performance. Dobre (2013) revealed that there is positive relation between salary and organizational performance which means that higher the salary, higher would be the organizational performance. The study also reveals that there is positive relationship between promotion and organizational performance which means that higher the promotion, higher would be the organizational performance.

In the context of Nepal, Baniya et al. (2017) concluded that increased productivity enhances the loyalty towards organization. The study showed that there is positive relationship between career development and human resource planning. The dynamic and growth oriented employees should be allowed to grow through career development programs because the high turnover of such potential staff leads to great loss in terms of cost, quality and productivity (Budhathoki, 2004).

Chaulagain and Khadka (2012) determined the factors influencing organizational performance among healthcare professionals at Tilganga eye Centre. The study concluded that satisfaction with one's job can affect not only motivation at work but also in career decisions, relationships with other, and individual well-being.

The above discussion reveals that there is no consistency in the findings of various studies concerning employee motivation and organizational performance. Therefore, this study has been conducted to analyze the relationship between motivation and organizational performance of Nepalese commercial banks. More specifically, this study has been conducted to examine the impact of promotion, salary, motivation, and recognition on the organizational performance of Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 102 respondents of 14 commercial banks of Nepal. The respondent's views were collected on promotion, salary, motivation, recognition and organizational performance. Table 1 shows the number of commercial banks along with the number of the respondents selected for the study.

Table 1: Number of selected commercial banks along with the number of the respondents

S.N.	Name of commercial banks	Number of respondent
1	Bank of Kathmandu	6
2	Everest Bank Limited	11
3	Himalayan Bank Limited	10
4	Kumari Bank Limited	5
5	Laxmi Bank Limited	10
6	Mega Bank	5
7	NABIL Bank Limited	10
8	NIC Asia	6
9	Nepal Rastra Bank	5
10	Nepal SBI	8
11	Nepal Bank Limited	5
12	Sanima Bank limited	6
13	Siddhartha Bank Limited	5
14	Standard Chartered Bank	10
Total		**102**

Thus, the study is based on 102 observations.

The model

As the first approximation, the model estimated in this study assumes that the organizational performance and commitment depends on the several independent variables. Therefore, the model takes the following form:

$OP= \beta_0+\beta_1 M+\beta_2 R+\beta_3 S+\beta_4 P+e$

Where,

OP = organizational perforamance

M=Motivation

R=Recognition

S=salary

P= promotion

e=Error term and β_1 , β_2 , β_3 and β_4 are the Beta coefficient of exploratory variables.

Motivation

Organization runs because of people working for it, and each person contributes toward achieving the ultimate goal of an organization. Rabby and Walther (2003) and Dobre (2013) argued that successful organization must combine the strengths and motivations of internal employees and respond to external changes and demands promptly to show the organization's value. Smith and Rupp (2003) stated that performance is a role of individual motivation, organizational strategy, and structure and resistance to change is an empirical role. Kuvaas and Dysvik (2010) found that intrinsic motivation was the strongest predictor of turnover intention and relationship between mastery-approach goals and turnover intention was only positive for employees, low in intrinsic motivation. Based on it, this study develops the following hypothesis:

H_1: There is positive relationship between motivation and organizational performance.

Salary

Kabir (2011) found that there are many variables that can affect organizational performance, including salary and fringe benefits, just system of promotion, working environment quality, leadership, and the work tasks and socializing. Clark (1997) have observed highly significant U-shaped relationship between pay satisfaction and job tasks satisfaction. according to Rehman et al. (2012), for high performance and organizational growth, rewards must be provided to employees. They further examined the effect of extrinsic and intrinsic rewards on employee organizational performance and concluded that extrinsic rewards significantly affect the organizational performance level of employees in call centers. Conger and Kanungo (1988) indicated the gap between low paid employees' and high paid employees' organizational performance in the Southern European countries. Based on it, this study develops the following hypothesis:

H_2: There is positive relationship between salary and organizational performance.

Promotion

Promotion is used as a reward for better work performance and organizationally approved form of behavior. People will work harder if they feel that this will lead to promotion. It provides satisfaction to personnel who enhance their morale, productivity, and loyalty to the organization. This process increases individual performance and, consequently, organizational performance (Prasad ,2012). Promotion of employees has a number of benefits not only to the employees but also to the organization in which they work. Chruden (1980) argued promotion as the means to ensure effective utilization of skills and abilities those individuals have been able to develop. Promotion creates a feeling of satisfaction with the present situation and conditions and encourages ambition to continue working with the company. When carefully planned and implemented, it enhances workers morale, increase organizational efficiency and provides opportunity for loyal employees (Doyle, 1986). When there is evidence for potential competency, promotion can be a reward for the past performance (Gerhart and Fang (2014). Based on it, this study develops the following hypothesis:

H_3: There is positive relationship between promotions and organizational performance.

Recognition

Based on the recognition received and the perceived prediction of desired consequences to come, people will self-regulate their future behaviors by forethought. By using forethought, employees may plan courses of action for the near future, anticipate the likely consequences of their future actions, and set performance goals for themselves. Thus, people first anticipate certain outcomes based on recognition received, and then through forethought, they initiate and guide their actions in an anticipatory fashion (Luthans, 1999). Employees are an organization's largest assets. Like financial investors, some human capital investors are more active than others. Based on it, this study develops the following hypothesis:

H_4: There is positive relationship between recognition and organizational performance.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 2.

Table 2: Kendall's correlation matrix

(This table reveals the Kendall's correlation coefficients between dependent and independent variables. organizational performance (OP) is the dependent variable and P (promotion), S(salary), M (motivation) and R(recognition) are the independent variables.

Variables	Mean	SD	P	S	M	R	OP
P	1.8529	0.30821	1.000				
S	1.9902	0.36083	0.143	1.000			
M	1.9020	0.38150	0.187*	0.368**	1.000		
R	1.9353	0.38089	0.166*	0.277**	0.312**	1.000	
E	1.6353	0.29839	0.127	0.271**	0.177*	0.195*	1.000

Notes: *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively*

The result shows promotion is positively related to organizational performance which means that increase in promotion leads to increase in organizational performance. Similarly, salary is also positively related to organizational performance. It indicates that increase in salary leads to increase in the organizational performance. Likewise, motivation is positively related to organizational performance. It reveals that increase in motivation leads to increase in organizational performance. The result also shows that recognition is positively related to organizational performance. This indicates that increase in recognition leads to increase in organizational performance.

Regression analysis

Having indicated the Kendall's correlation coefficient, the regression analysis has been carried out and the results are presented in Table 3. More specifically, the table shows the regression results of promotion, salary, motivation, and recognition on organizational performance.

Table 3: Estimated regression results of promotion, salary, motivation, and recognition on organizational performance

(The results are based on 102 observations by using linear regression model. The model is OP= β0+β1 M+β2 R+β3 S+β4 P + e. where organizational performance (OP) is the dependent variable and P (promotion), S(salary), M (motivation) and R (recognition) are the independent variables).

Model	Intercept	Regression coefficients of				Adj. R^2	SEE	F
		P	S	M	R			
1	3.899 (10.279)**	0.126 (1.401)**				0.009	0.24160	1.963
2	3.350 (9.714)**		0.263 (3.138)**			0.081	0.23277	9.844
3	3.278 (10.653)**			0.275 (3.751)**		0.115	0.22842	14.070
4	3.563 (12.538)**				0.210 (3.060)**	0.077	0.23434	9.362
5	3.164 (7.057)**	0.059 (0.653)	0.248 (2.848)**			.075	.23344	5.107
6	2.934 (7.857)**		0.149 (1.600)	0.211 (1.543)		0.128	0.22666	8.425
7	3.036 (8.862)**			0.215 (2.602)**	0.120 (1.594)	0.128	0.22780	8.339
8	20841 (6.226)*	0.032 (0.358)	0.143 (1.505)	0.208 (2.468)*		0.109	0.22911	7.191
9	2.772 (7.063)**		0.129 (1.363)	0.168 (1.886)	0.104 (1.363)	0.120	0.22766	5.610
10	2.738 (5.902)**	0.013 (0.139)	0.126 (1.319)	0.167 (1.865)	0.102 (1.316)	0.136	0.22681	6.227

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The result indicates that the beta coefficient is positive for promotion. It reveals that higher the promotion, higher would be the organizational performance. This finding is similar to the finding of Prasad (2012). Moreover, the positive beta coefficients of salary indicate that higher the salary, higher would be the employee organizational performance. This finding is similar to the findings of Kabir *et al*. (2011).

The beta coefficient is positive for motivation. It reveals that higher the level of motivation, higher would be the employee organizational performance. This finding is similar to the finding of Bowen and Lawler (1995). Likewise, the beta coefficient is positive for recognition. It reveals that higher the recognition, higher would be the organizational performance. This finding is similar to the findings of Burgess and Ratto (2003).

IV. Summary and conclusions

This study attempts to examine the impact of employee motivation on organizational performance in Nepalese commercial banks. This study is based on primary data of 14 commercial banks with 102 observations. The variables that examined the impact of employee motivation in organizational performance are promotion, salary, motivation, recognition.

The result shows promotion is positively related to organizational performance. This indicates that increase in promotion leads to increase in organizational performance. The result also shows that salary is positively related to organizational performance. It indicates that increase in salary leads to increase in the organizational performance. Likewise, the study shows that motivation is positively related to organizational performance. It reveals that higher the motivation, higher would be the organizational performance. The result also shows that recognition is positively related to organizational performance. This indicates that increase in recognition leads to increase in organizational performance. The regression result reveals that beta coefficients are positive for promotion, salary, motivation, and recognition promotion. However, coefficients are significant for none of the variables at 5 percent level of significance.

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Nepalese
Journal of Management

Effect of social media on academic performance of college students in Kathmandu valley

Kamal Phaedra

Abstract

This study examines the effect of social media on academic performance of college students in Kathmandu valley. Academic performance is dependent variable. Facebook, Twitter, YouTube and Skype ae selected as independent variables. The primary source of data is used to assess the opinion of students on effect of social media on academic performance of Kathmandu valley. The survey is based on 121 respondents from students' inside the Kathmandu. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of academic performance of the students.

The result shows that Facebook and Twitter have positive relationship with academic performance of the students. It shows that higher the use of Facebook and Twitter, higher would be the academic performance. Likewise, YouTube and Skype have positive relationship with academic performance of the student indicating that higher the use of YouTube and Skype, higher would be the academic performance. The regression result reveals that beta coefficients for Twitter has positive and significant on academic performance of the college students of Kathmandu Valley at 5 percent level of significant.

Keywords: *Facebook, Twitter, YouTube, Skype and academic performance.*

I. Introduction

Social media is started when people start to communicate. Social means human society, as interference of people & the groups and word media is the medium of expressions. Most of the forms of social media are not digital. Technology generates a large number of innovations and social media is one of the biggest inventions of it, which is now most popular and widely used. Social media is defined as technologies that made social communication easy and enable discussions among its participants (Salvation and Adzharuddin, 2014).

According to Wildman (2015), social media are computer-mediated technologies that facilitate the creation and sharing of information, ideas, career interests and other forms of expression via virtual communities and networks. A social networking service (also social networking site, SNS or social media) is an online platform which people use to build social networks or social relations with other people who share similar personal or career interests, activities, backgrounds or real-life connections.

The variety of built-in social networking services are currently available online.

In the global context, there are so many factors that affect the academic performances among college students. Clare *et al.* (2008) investigated the impact of developing a shared social identity in early-stage dementia and found there is positive relationship between YouTube and academic performance of the students.

Chen (2013) examined that relationship between use of facebook and academic performance of the students. The empirical results show that there is a positive relationship between use of facebook and academic performances of the students. It indicates that higher the use of Facebook, higher would be the academic performance.

Tayseer & Alcheikh (2014) carried out a study on social network: academic and social impact on college students. The result found that there is a positive impact of Twitter on their academic performance.

Kuppuswamy and Narayan (2010) examined the impact of social networking websites on the education of youth. The study argued that there is positive relationship between Skype and academic performance of the students. It also indicates that higher the use of Skype, higher would be the academic performance.

Baldwin *et al.* (1997) carried out a study on the social fabric of a team-based MBA program: network effects on student satisfaction and performance. The study showed that there is a positive relationship between use of social media and academic performance of the MBA students.

Hamat *et al.* (2012) concluded that there is a positive relationship between use of social media and academic performance of the Malaysian university students.

Shambare *et al.* (2012) found that there is positive relationship between Facebook and academic performance. The result also analyzed that higher the use of Facebook, higher would be the academic performance of the students.

There is positive relationship between use of the social media such as Facebook, Twitter etc. and academic performance. It further showed that use of social media gives the exposure of current scenario to the students that help to expand the level of knowledge (Alloway *et al.,* 2013). According to Possamai *et al.* (2016), there is positive relationship between Skype and academic performance of the students.

Hussein and Elttayef (2016) found that there is significant relationship between Skype and academic performance of the students. Wang (2011) examined on the effect of Twitter on college students. The result showed that here is positive impact of use of social media on academic performance. It also indicates that higher the use of Twitter, higher would be the academic performance of students. Junco *et al.* (2010) examined the impact of Skype with academic performances. The study revealed that there is a significant relationship between Skype and academic performance of the students.

Alhazmi and Rahman (2013) showed that there is significant and positive relationship between you tube and academic performances. Leitch *et al*. (2011) examined the impact of facebook on the performance of students. The result found that there is

negative and significant relationship between facebook and academic performance of the students.

Piotrowski (2015) revealed that there is positive impact of YouTube on academic performance of the students. It indicates that higher the use of YouTube, higher would be the academic performance. Nee (2014) examined the impact the effect of educational networking on students' performance in biology. The result revealed that significant and positive relationship between Skype and academic performance of the students.

Blaschke (2014) found that there is positive relationship between you tube and academic performance of the students. It indicates that higher the use of you tube, higher would be the academic performances of the college students. Jacobsen and Forste (2011) conducted a study in order to examine the relationship of Twitter and academic performance of the students. The result showed that there is significant and positive relationship between Twitter and academic performance of the students. It indicates that higher the use of the Twitter, higher would be the academic performances.

Jacobsen & Forste (2011) revealed that there is positive relationship between Twitter and academic performance of the students. Vercammen *et al. (*2009) found that there is positive relationship between Skype and academic performance of the students. According to Sin and Kim (2014), there is positive and significant relationship between use of social media and academic performance of the students. There is positive relationship between facebook and academic performance of the students (Das and Sahoo, 2011).

Aharony (2008) concluded that there is a positive relationship between Twitter and academic performance of the students. Helou and Rahim (1997) showed that there is positive relationship between Skype and performance of the students. It indicates that higher the use of Skype, higher would be the academic performances of the college students. Margaryan *et al.* (2011) investigated the issue of the effectiveness of using social networking. The study found there is a significant relationship between social media and academic performance of the students. Ahmad (2011) investigated on effect of social media in India. The result showed that there is relationship between social media and academic performance of the students. It indicates that higher the use of social media, higher would be the academic performances.

Santhi & Jayaprakash (2017) investigated the effect of social media to ward student's performance. The study found there is relationship between social media and performance of the students. Kadala (2011) conducted research to analyze the impact of social media on academic performance of the students. The study found that there is positive relationship between social media and academic performance of the students.

Nguyen *et al.* (2013) examined the relationship between social media and academic performance of the students in the context of England. The result showed that there is significant relationship between social media and performance of the students. There is positive relationship between social media and academic performance of the students (Cacioppo *et al.,* 2009).

In the context of Nepal, Gupta *et al*. (2013) examined the relationship between social media and academic performance of the students in the context of Nepal. The result showed that there is no significant relationship between social media and performance of the students.

The above discussion reveals that there is no consistency in the findings of various studies concerning the effect of social media on academic performance of college students.

The main purpose of the study is to examine the impact of social media on academic performance of the students. More specifically, it examines the relationship of Facebook, Twitter, YouTube and Skype with academic performance.

The remainder of this paper is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 121 respondents from students inside the Kathmandu valley. The respondents' views were collected on impact of Facebook, Twitter, YouTube and Skype from different colleges respectively.

Model Specifications

As the first approximation, the model estimated in this study assumes that the academic performance of the students depends on the several independent variables. Therefore, the model takes the following form:

$AP=\beta o+\beta 1FB+\beta 2TW+\beta 3YT+\beta 4SK+e$

Where,

AP= Academic performance

FB = Face Book

TW = Twitter

YT =YouTube

SK= Skype

e = error term and

β_1, β_2, β_3, and β_4 are the beta coefficients of the explanatory variable to be estimated.

Facebook

Facebook is a social networking service launched on February 4, 2004. It was founded by MarkZuckerberg with his college roommates and fellow Harvard University student. Shambare *et al.* (2012) found that there is positive impact of Facebook on academic performance of the students. Alloway *et al.* (2013) there is positive relationship

between Facebook and academic performances. There is positive relationship between facebook and academic performance of the students (Clare *et al.,* 2008). Based on it, the following hypothesis has been developed:

H_1: There is a positive relationship between facbook and academic performance.

Twitter

Twitter is an online news and social networking service where users post and interact with messages, "tweets", restricted to 140 characters. Hamat *et al*. (2012) concluded that there is a positive relationship between Twitter and academic performance of the college students. Tayseer & Alcheikh (2014) found that there is a positive impact of Twitter on their academic performance. According to Wang (2011), there is positive impact of social media on academic performance. Based on it, the following hypothesis has been developed:

H_2: There is a positive relationship between Twitter and academic performance.

YouTube

YouTube is a popular video sharing website where registered users can upload and share videos with anyone able to access the site. Jacobsen & Forste (2011) found that there is a positive relationship between YouTube and academic performance of the college students. Blaschke (2014) there is negative relationship between use of YouTube and academic performance of the students. Alhazmi and Rahman (2013) found that there is significant and positive relationship between YouTube and academic performance. Based on it, the following hypothesis has been developed:

H_3: There is a positive relationship between YouTube and academic performance.

Skype

Skype is an instant messaging app that provides online text message and video chat services. Possamai et *al.* (2016) the result indicated that there is positive relationship between Skype and academic performance of the students. Hussein and Elttayef (2016) the result found that significant relationship between Skype and academic performance of the students. Kuppuswamy and Narayan (2010) found that there is a significant relationship between Skype and academic performance of the students. Based on it, the following hypothesis has been developed:

H_4: There is a positive relationship between Skype and academic performance.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 3.

Table 3: Kendall's correlation matrix for the dependent and independent variables

This table reveals the Kendall's correlation coefficients between dependent and independent variables. AP (academic performance) is the dependent variable and FB (Facebook), TW (Twitter), YT (YouTube) and SKY (Skype) are the independent variables).

Variables	Mean	S.D	FB	TW	YT	SKY	AP
FB	2.426	1.006	1				
TW	2.702	1.174	0.307**	1			
YT	2.343	1.035	0.252**	0.177**	1		
SKY	2.568	0.968	0.231**	0.199**	0.270**	1	
AP	2.695	1.226	0.238**	0.108	0.253**	0.217**	1

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The table reveals the positive relationship between Facebook and Twitter with academic performance of the students. This indicates that greater use of Facebook and Twitter leads to better academic performance of the students. Similarly, the result also shows the positive relationship of YouTube and Skype with academic performance of the students. This indicates that greater use of YouTube and Skype leads to better academic performance of the students.

Regression analysis

Having indicated the correlation coefficient, the regression analysis has been carried out and the results are presented in Table 4. More specifically, the table shows the regression results of Facebook, Twitter, YouTube and Skype.

The table shows that Facebook is positive with academic performance of the students. It indicates that higher the use of Facebook, higher would be the academic performance. The finding is similar to the findings of Shambare *et al.* (2012). Likewise, the beta coefficient of Twitter is positive with academic performance. It indicates that higher the use of Twitter, higher would be academic performance. The finding is consistent with the findings of Shambare *et al.* (2012). Similarly, the beta coefficient of YouTube is positive with academic performance. It indicates that higher the use of YouTube, higher would be the academic performance. This finding is similar to the findings of Blaschke (2014).

Likewise, the beta coefficient of Skype is positive with academic performance. It indicates that better higher the use Skype , higher would be the academic performance. The finding is similar with the finding of Hussein and Elttayef (2016).

Table 4. Estimated regression results of FB, TW, YT and SKY on AP

(The results are based on 121 observations using linear regression model. The model is AP=βo+β1FB+β2TW+β3YT+β4SK+e where, dependent variable is AP (academic performance) and independent variables are FB (Facebook), TW (Twitter), YT (YouTube) and SKY (Skype).

Model	Intercept	Regression coefficient of				Adj. R^2	SEE	F
		FB	TW	SKY	YT			
1	1.882 (6.675)*	0.335 (3.124)*				0.068	1.149	9.758
2	2.365 (5.216)**		0.079 (4.828)**			0.130	1.225	0.686
3	1.594 (5.315)*			0.429 (3.924)*		0.107	1.138	15.394
4	1.978 (7.360)*				0.306 (2.917)*	0.059	1.127	8.510
5	1.205 (3.493)*	0.236 (2.178)**		0.358 (3.180)*		0.134	1.157	10.310
6	1.015 (2.776)*	0.211 (4.939)**		0.307 (2.627)*	0.162 (2.509)**	0.144	1.544	7.707
7	1.319 (3.947)*			0.360 (3.127)*	0.193 (2.798)**	0.124	1.865	9.459

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

IV. Summary and conclusion

Today's the use of social media has become very popular all around the world due to a great development of technology. Not only celebrities but general public has also turned out to be a huge user of these social media sites. The basic purpose behind conducting this study was to see the academic outcome of student who spends most of the time on interacting sites. Collective intelligence, increased engagement, and equal opportunity are only a few reasons that social media should be incorporated into educational settings. Individuals are automatically connected with others, as they gain momentum being connected with the outside world.

The study attempts to examine the effect of social media on academic performance of college students. This study is based on the primary data which were gathered from 121 respondents. The variables that examine effect ofsocial media on academic performance of college students are Facebook, Twitter, YouTube and Skype.

The study shows that Facebook and Twitter have positive and significant impact on academic performance. This indicates that greater the use of Facebook and Twitter, higher would be the academic performance of the students. The study also reveals that there is positive impact of YouTube and Skype on academic performance. This indicates that higher the use of YouTube and Skype, higher would be the academic performance of the students.

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Nepalese
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Determinants of lending behaviour of Nepalese commercial banks

Sabita Puri, Sachyam Kayastha, Salina Bhattarai, Samikshya Regmi and Sabita Puri

Abstract

This study examines the determinant of lending behaviour in Nepalese commercial bank. Loan and advances and total loan to total asset ratio are the dependent variables. The independent variable are bank size, volume of deposits, cash reserve ratio, liquidity ratio, lending rate, non-performing loans, gross domestic product and inflation rate. This study is based on secondary data collected from 24 commercial banks operating in Nepal from 2011/12 to 2016/17, leading to a total of 116 observations. The data were collected from the economic survey bulletin and Banking and Financial Statistics of NRB published by Nepal Rastra Bank and annual reports of the selected commercial banks. The regression models are estimated to test the significance and impact of bank specific and macroeconomic variables on lending behaviour of Nepalese commercial banks.

The study reveals that bank size is positively related to loan and advances. It shows that larger the bank size, higher would be the loan and advances. Similarly, cash reserve ratio is positively correlated to loan and advances. It indicates that increase in cash reserve ratio leads to increase in loan and advances. Likewise, there is positive relationship between volume of deposits and loan and advances which indicates that increase in volume of deposit leads to increase in loan and advances. However, liquidity ratio and lending rate are negatively correlated to loan and advance. It reveals that increase in liquidity ratio of bank leads to decrease in loan and advances. Similarly, it also indicates that increase in lending rate leads to decrease in loan and advances. On the other hand, gross domestic product and inflation are positively correlated to loan and advances. It shows that increase in gross domestic product leads to increase in loan and advances. Likewise, increase in inflation rate leads to increase in loan and advances. The regression result shows that bank size has positive impact on loan and advances. However, liquidity ratio has negative impact on loan and advances. Similarly, volume of deposits has negative relationship with total loan to total assets ratio which indicates that increase in the volume of deposits leads to decrease in total loan to total assets ratio. However, non performing loans are positively related to total loan to total assets ratio. It indicates that increase in nonperforming loans leads to increase in total loan to total assets ratio. The regression results show that the beta coefficients for bank size, volume of bank deposits and inflation are positive with loans and advances. Similarly, the beta coefficients for bank size, liquidity ratio and lending rate are negative with total loans to total assets ratio in the context of Nepalese commercial banks.

Keywords: *Loan and advances, cash reserve ratio, lending rate, volume of deposits, non-performing loans, bank size, GDP.*

I. Introduction

Bank loans are one of the most important long-term financing sources in many countries. Commercial banks are the savings mobilization and financial resources allocation institution which make them an important phenomenon in economic growth and development. In order for them to perform these roles, it must be realized that banks have the potential, scope and prospects of financial intermediation (Olusanya et al., 2012). Lending institutions play a major role in economic growth and development through provision of credit to execute economic activities. However, the major concern of any lender while advancing credit is how they will get their money back (Foluso, 1998) and this implies that the engagement between lenders and borrower is accompanied by certain level of risk.

According to Ezirim (2005), bank lending decision generally is fraught with a great deal of risks, which calls for great deal of caution and tact in this aspect of banking operations. The success of lending activity to a great extent therefore, lies on the part of the credit analysts to carry out good credit analysis, presentations, structuring and reporting. Similarly, lending is undoubtedly the heart of banking business. Therefore, its administration requires considerable skill and dexterity on the part of the bank management (Adedoyin and Sobodun, 1996). Banks should consider the problems of adverse selection and moral hazard since it is very difficult to forecast the borrower type at the start of the banking relationship (Stiglitz and Weiss, 2001). If banks set interest rates too high, they may induce adverse selection problems because high-risk borrowers are willing to accept these high rates. Once these borrowers receive the loans, they may develop moral hazard behaviour or so called borrower moral hazard since they are likely to take on highly risky projects or investments (Chodechai, 2004).

Comptroller (1998) stated that lending is the principal business for most commercial banks, since bank loan is the largest asset and the major source of income. Lending is the main function of commercial banks. Loan portfolio is the largest asset and source of revenue for banks. Lending which may be on short, medium or long-term basis is one of the service commercial banks provide to their customers. In other words, banks grant loans and advance to facilitate customers to get on investment and development activities as a mean of aiding their growth in particular or contributing toward the economic development of a country in general. Thus, banks lending activities generate economic growth through resources provision for real investment (McKinnon, 2009).

Olusanya et al. (2012) investigated the level of commercial banks loan advances in Nigeria and also examined those various determinants of commercial banks lending behavior in Nigerian. The result revealed that there is a positive relationship between loan and advances and volume of deposits, annual average exchange rate of the naira to dollar, gross domestic product at current market price and cash reserve requirement ratio. However, investment portfolio has a negative relationship with Interest rate (lending rate). Ayieyo (2016) indicated that lending interest rates are negatively related and significantly affect the total loans and advances. Further, volume of deposits in commercial banks has a significant and positive effect on the total loan and advances.

Olokoyo (2011) investigated the determinants of commercial banks' lending behaviour in the Nigerian context. The study discovered that commercial banks deposits have the greatest impacts on their lending behaviour. Similarly, Chizea (1994) asserted that there are certain aspects of fiscal and monetary policies which could affect the decision of the discerning and informed public to patronize the bank and the lending behaviour of commercial banks. Sarath and Pham (2015) found a positive effect of economic growth and the negative effect of the government bond rate on bank lending. The results also showed that deposit growth and liquidity constraint significantly influence loan supply in private banks, while equity growth is the determinant of lending behaviour in state-owned banks.

Glocker and Towbin (2012) revealed that cash reserve ratio has a significant negative relationship with bank loan. Likewise, Kashyap et al. (1993) concluded that there is negative significant relationship between cash reserve ratio and bank loan. Similarly, Olutoye and Emmanuel (2015) and Olokoyo (2011) revealed that there is a significant relationship between cash reserve ratio and bank lending. Similarly, Ewert and Schenk (1998) argued that high risky companies are charged higher interest rates on loan facilities. Likewise, Karim et al. (2014) found that interest rate affect bank lending negatively. Furthermore, Ajayi and Atanda (2012) revealed that interest rate has positive effect on bank loan. Malede (2014) assessed bank liquidity and exchange rate in European perspective and claimed that higher lending rates do not encourage banks to lend more.

Olokoyo (2011) found that commercial bank deposits have the greatest impact on their lending behaviour. Likewise, McCarthy et al. (2010) found that deposits have a positive effect in lending behaviour. Similarly, Hossain et al. (2013) showed that deposits are a major factor in bank fund management and it has a significant impact on loans and advances. The volume of deposits has a positive and significant impact on lending. Emmanuel (2013) found a positive relationship of loan and advances with volume of deposits, annual average exchange rate dollar, gross domestic product and cash reserve requirement ratio. This study also found negative relationship of investment portfolio and interest rate with lending of banks.

Borio (1995) investigated the structure of credit to non-government sector and channel of monetary policy in fourteen industrialized countries. The study revealed that the structure of credit was largely determined by interest rate. Irina (2003) assessed the bank liquidity and exchange rate in European perspective. The study claimed that higher lending rates do not encourage banks to lend more. Karim et al. (2011) investigated the impact of interest rate on bank lending in Malaysia context. The study contented that interest rate affect bank lending negatively. Furthermore, Chernykh and Theodossiou (2011) revealed that the size of the bank which is measured by assets and the bank capitalization are the only determinants of businesses and long-term loans.

According to Loupias et al. (2001), there is negative significant relationship between bank loan and liquidity ratio. Likewise, Ajayi and Atanda (2012) concluded that liquidity ratio is negatively related to bank loan. Similarly, Benjamin and Onyewuchi (2007) found negative relationship between liquidity ratio and bank loan. Chodechai (2004) further stressed that banks lending decisions are also influenced by the past

relationship with the borrowers past relationship that can help banks to obtain more private information, leading to a more accurate understanding of the borrower's business and financial situation. Similarly, Malede (2014) assessed the relationship between commercial bank lending and its some determinants. The study found that there is a significant relationship between commercial bank lending and its size, credit risk, gross domestic product and liquidity ratio. However, deposit, investment, cash required reserve and interest rate does not affect Ethiopian commercial bank lending.

In the context of Nepal, Thapa (2002) concluded that bank size and gross domestic product have positive impact on loan supply in Nepal. Similarly, liquidity also plays a significant role in bank lending in response to monetary policy changes. Bhatta (2004) revealed that deposit rate and deposits amount have positive and significant relationship. The study also concluded that interest rate on lending of the Nepalese commercial banks. Sapkota (2011) showed that the failure of banks in Nepal was due to high non-performing assets and lending without differentiating markets, products and borrowers' credit worthiness and excessive loan exposure to real estate. Similarly, Bhattarai (2014) examined the determinants of non-performing loan using primary data. The study showed that nearly 68% bankers agreed that non-performing loan is the severe problem of commercial banks in Nepal.

The above discussion reveals that there is no consistency in the findings of various studies concerning the determinants of lending behaviour of the banks.

The major purpose of this study is to determine the factors affecting lending behaviour of Nepalese commercial banks. Specifically, it examines the relationship of bank size, volume of deposits, cash reserve ratio, liquidity ratio, lending rate, non-performing loan, gross domestic product and inflation with loan and advances of Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draw conclusions and discuss the implications of the study findings.

II. Methodological aspects

This study is based on the secondary data which were gathered for 24 commercial banks in Nepal from 2011/12 to 2016/15, leading to a total of 116 observations. The main sources of data include annual report of selected commercial banks, Central Bureau of Statistics of Nepal and Banking and Financial Statistics published by Nepal Rastra Bank. Table 1 shows the number of commercial banks selected for the study along with the study period and number of observations.

Table 1: Number of commercial banks selected for the study along with study period and number of observations

S.N.	Name of the banks	Study period	Observations
1	Agriculture Development Bank limited	2012/13-2016/17	5
2	Century Commercial Bank Limited	2012/13-2016/17	5
3	Citizens Bank International Limited	2012/13-2016/17	5
4	Civil Bank Limited	2011/12-2015/16	5
5	Everest Bank Limited	2012/13-2016/17	5
6	Globel IME Bank Limited	2012/13-2016/17	5
7	Himalayan Bank Limited	2012/13-2016/17	5
8	Janata Bank Nepal Limited	2011/12-2015/16	5
9	Kumari Bank Limited	2011/12-2015/16	5
10	Laxmi Bank Limited	2011/12-2015/16	5
11	Machhapuchchhre Bank Limited	2011/12-2015/16	5
12	Mega Bank Nepal Limited	2011/12-2015/16	5
13	Nabil Bank Limited	2012/13-2016/17	5
14	Nepal Credit and Commercial Bank Limited	2012/13-2016/17	5
15	Nepal Investment Bank Limited	2012/13-2016/17	5
16	Nepal SBI Bank Limited	2011/12-2015/16	5
17	NIC Asia Bank limited	2012/13-2016/17	5
18	NMB Bank Limited	2012/13-2016/17	5
19	Prabhu Bank Limited	2012/13-2016/17	5
20	Prime Commercial Bank Limited	2012/13-2016/17	4
21	Sanima Bank Limited	2012/13-2016/17	5
22	Siddhartha Bank Limited	2012/13-2016/17	5
23	Standard Chartered Bank Nepal Limited	2014/13-2015/16	2
24	Sunrise Bank Limited	2012/13-2016/17	5
Total observations			**116**

Thus, this study is based on 116 observations.

The model

The model used in this study analyzes the determinants of lending behaviour of Nepalese commercial banks. The dependent variables are loan and advances and total loan to total assets. The selected independent variables in this study are total assets, liquidity ratio, cash reserve ratio, lending interest rate, non performing loans, volume of deposits, GDP and inflation. Therefore, the model takes the following form:

$$LA= \beta_{0+} \beta_1 BS_{it} + \beta_2 LQR_{it} + \beta_3 CRR_{it} + \beta_4 LNR_{it} \beta_5 VD_{it} + \beta_6 NPL_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + e_{it}$$

$$TL/TA= \beta_{0+} \beta_1 BS_{it} + \beta_2 LQR_{it} + \beta_3 CRR_{it} + \beta_4 LNR_{it} \beta_5 VD_{it} + \beta_6 NPL_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + e_{it.}$$

Where,

LA= Loan and advances is the total annual gross loans and advances of the respective banks, Rupees in billions.

TL/TA= Total loan to total assets is the ratio of total loans to total assets, in percentage.

BS = Bank size is the total assets of the bank, Rupees in billions.

LQR= liquidity ratios is the ratio of liquid assets to total assets, in percentage.

CRR= Cash reserve ratio is defined as the minimal percentage of deposits to be kept up in central bank by the commercial banks, in percentage.

LNR= Lending interest rate is the rate of interest income divided by total loans, in percentage.

VD= Volume of deposits defined as the placement of funds in an account with a bank, Rupees in billions.

NPL= Non performing loan defined as the ratio of nonperforming loans to total loans, in percentage

GDP= Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage

INF= inflation is defined as the sustained increase in the general price level of goods and services in an economy over a period of time, in percentage

The following section describes the independent variables used in this study.

Bank-specific variables

Liquidity ratio

Liquidity ratio is the ratio of liquid assets to total assets. Liquid assets includes cash and equivalent and cash reserve at the central bank, short-term deposits in banks and other government and non-government guaranteed securities as a percentage of total bank assets (Rababah, 2015).According to Loupias et al. (2001),there is negative significant relationship between bank loan and liquidity ratio. Likewise, Ajayi and Atanda (2012) concluded that liquidity ratio is negatively related to bank loan. Similarly, Benjamin and Onyewuchi (2007) found negative relationship between liquidity ratio and bank loan. Based on it, the study develops the following hypothesis:

H_1: There is a negative relationship between liquidity ratio and lending.

Cash reserve ratio

Cash reserve ratio represents the minimal percentage of deposits to be kept up in central bank by the commercial banks. Glocker and Towbin (2012) revealed that cash reserve ratio has a significant negative relationship with bank loan. Likewise, Kashyap et al. (1993) concluded that there is a negative significant relationship between cash reserve ratio and bank loan. Similarly, Olutoye and Emmanuel (2015) revealed that there is negative and significant relationship between cash reserve ratio and bank lending. Based on it, the study develops the following hypothesis:

H_2: There is a negative relationship between cash reserve ratio and lending.

Lending rate

The charge that a lender charges to a borrower in order to make a loan is a lending rate. Ewert and Schenk (1998) argued that high risky companies are charged higher interest rates on loan facilities. Karim et al. (2014) found that interest rate affect bank lending negatively. Ajayi and Atanda (2012) revealed that interest rate has positive effect on bank loan. However, Malede (2014) assessed bank liquidity and exchange rate in European perspective and claimed that higher lending rates do not encourage banks to lend more. Based on it, the study develops the following hypothesis:

H_3: There is a negative relationship between interest rate and lending.

Bank size

Bank size is measured in terms of total assets of the bank. Stein (2002) revealed that small banks have a comparative advantage in making loans based on soft information, whereas large banks have a comparative advantage in making loans based on hard information. Djiogap & Ngoms (2012) also suggested that banks whose assets are higher have the higher capacity of lending. According to Cole et al. (2004), smaller banks adopt small business loan underwriting practices that are riskier than those of larger banks. Based on it, the study develops the following hypothesis:

H_4: There is a positive relationship between bank size and lending.

Nonperforming loans

Non- performing loans are defined as defaulted loans which banks are unable to profit from given loan (Patersson and Wadman, 2004). Boudriga et al. (2009) found that NPL is negatively related to bank lending. Panetta (2013) showed a positive relationship between non-performing loans and bank lending behaviour. However, Rababah (2015) found that non-performing loans have negative and significant impact commercial banks in Jordan. Based on it, the study develops the following hypothesis:

H_5: There is a negative relationship between non performing loan and loan.

Deposits

Olokoyo (2011) found that commercial bank deposits have the greatest impact on their lending behaviour. McCarthy et al. (2010) found that deposits have a positive effect in lending behaviour. Similarly, Hossain et al. (2013) showed that deposits are a major factor in bank fund management and has a positive significant impact on loans and advances. Based on it, the study develops the following hypothesis:

H_6: There is a positive relationship between deposits and lending.

Gross domestic product (GDP)

Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced within the geographic boundaries of a country during a specified period of time, normally a year. Olokoyo (2011) revealed that GDP has a significant and positive relationship with private sector credit of commercial banks. Likewise, Driscoll (2004) found positive and significant effect of GDP on lending

behaviour of bank. Based on it, the study develops the following hypothesis:

H_8: There is a positive relationship between GDP and bank lending.

Inflation

Inflation is another determinant of private sector credit of banks. Increase in inflation leads to an increase in nominal interest rate and credit rationing by bank resulting a reduction in investment. El-Nader and Alraimony (2012) revealed a significant and negative relationship with bank lending. Similarly, Boyd et al. (2001) found that inflation is negatively related to bank lending. Based on it, the study develops the following hypothesis:

H_9: There is a negative relationship between inflation and bank lending.

III. Results and discussion

Descriptive statistics

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2011/12 to 2016/17.

Table 2: Descriptive statistics

This table shows the descriptive statistics of dependent and independent variable of 24 Nepalese commercial banks for the study period of 2011/12 to 2016/17. The dependent variables are LA(Loan and advances is the total annual gross loans and advances of the respective bank, Rupees in billions) and TL/TA (total loan to total assets is the ratio of total loan to total assets, in percentage). The independent variable are BS(bank size is the total assets of the bank, Rupees in Billions), CRR(cash reserve ratio is the minimal percentage of deposits to be kept up in central bank by the commercial banks, in percentage),VD(Volume of deposits define as the placement of funds in an account with a bank, Rupees in billions),LQR(liquidity ratio is the ratio of liquid assets to total assets, in percent),LNR(interest rate is the rate of interest income divided by total loan, in percentage),NPL(performing loan define as the ratio of nonperforming loan, in percentage),GDP(Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage),INF(inflation is define as the sustained increase in the general price level of goods and services in an economy over a period of time, in percentage).

Variables	Minimum	Maximum	Mean	S.D.
LA	0.25	104.62	36.84	21.08
TL/TA	0.43	0.92	0.68	0.069
BS	5.65	150.82	55.72	31.59
CRR	6.00	35.14	16.11	8.21
VD	4.46	125.67	47.61	26.38
LQR	0.01	0.77	0.30	0.11
LNR	0.06	0.15	0.10	0.018
NPL	0.00	8.83	1.74	1.53
GDP	0.01	6.94	3.67	2.2
INF	7.18	9.90	8.81	1.03

Table 2 shows that the loan and advances ranges from a minimum of Rs. 0.25 billion to a maximum of Rs.104.62 billion, leading to an average of Rs. 36.84 billion. Total loan to total assets ranges from a minimum of 0.43 percent to a maximum 0.92 percent, leading to an average of 0.92 percent. Similarly, the total assets ranges from a minimum of Rs 5.65 billion to a maximum of Rs 150.82 billion, leading to an average of Rs 55.72 billion. Likewise, cash reserve ratio ranges from a minimum of 6 percent to a maximum of 35.14 percent, leading to an average of 16.11 percent. The volume of deposit ranges from a minimum of Rs. 4.46 billion to a maximum of Rs.125.67 billion, leading to an average of Rs.47.61 billion. The liquidity ratio ranges from a minimum of 0.01 percent to a maximum of 0.77 percent, leading to an average of 0.30 percent. The lending rate ranges from a minimum of 0.06 percent to a maximum of 0.15 percent, leading to an average of 0.10 percent.

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed. The Pearson's correlation coefficients for the selected Nepalese commercial banks have been computed and the results are presented in Table 3.

Table 3: Pearson's correlation coefficients matrix for selected Nepalese commercial banks

This table shows the bi-variate Pearson's correlation coefficients between the selected variables used in the study. The results are based on panel data of 24 commercial banks with 116 observations for the period of 2011/12-2016/17. The dependent variables are LA(Loan and advances is the total annual gross loans and advances of the respective bank, Rupees in billions) and TL/TA (total loan to total assets is the ratio of total loan to total assets, in percentage). The independent variable are BS(bank size is the total assets of the bank, Rupees in Billions), CRR(cash reserve ratio is the minimal percentage of deposits to be kept up in central bank by the commercial banks, in percentage),VD(Volume of deposits define as the placement of funds in an account with a bank, Rupees in billions),LQR(liquidity ratio is the ratio of liquid assets to total assets, in percent),LNR(interest rate is the rate of interest income divided by total loan, in percentage),NPL(performing loan define as the ratio of nonperforming loan, in percentage),GDP(Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage),INF(inflation is define as the sustained increase in the general price level of goods and services in an economy over a period of time, in percentage).

Variables	LA	TL/TA	BS	CRR	VD	LQR	LNR	NPL	GDP	INF
LA	1									
TL/TA	-0.057	1								
BS	0.971**	0.218*	1							
CRR	0.132	0.028	0.111	1						
VD	0.965**	-0.235*	0.995**	0.079	1					
LQR	-0.081	-0.386**	-0.001	-0.126	0.009	1				
LNR	-0.265**	-0.149	-0.264**	0.151	-0.296**	-0.080	1			
NPL	0.028	0.217*	-0.004	0.190*	-0.029	-0.088	0.305**	1		
GDP	0.022	-0.025	0.011	0.203*	-0.001	0.026	0.313**	-0.031	1	
INF	0.018	-0.032	-0.005	0.176	-0.005	-0.009	0.245**	0.005	0.890**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at 1percent and 5 percent levels respectively.

Table 3 shows that bank size is positively related to loan and advances. It shows that larger the bank size, higher would be the loan and advances. Similarly, cash reserve ratio is positively correlated to loan and advances. It indicates that increase in cash reserve ratio leads to increase in loan and advances. Likewise, there is positive relationship between volume of deposits and loan and advances which indicates that increase in volume of deposit leads to increase in loan and advances. However, liquidity ratio and lending rate are negatively correlated to loan and advance. It reveals that increase in liquidity ratio of bank leads to decrease in loan and advances. Similarly, it also indicates that increase in lending rate leads to decrease in loan and advances.

On the other hand, gross domestic product and inflation are positively correlated to loan and advances. It shows that increase in gross domestic product leads to increase in loan and advances. Likewise, increase in inflation rate leads to increase in loan and advances. The regression result shows that bank size has positive impact on loan and advances. However, liquidity ratio has negative impact on loan and advances. Similarly, volume of deposits has negative relationship with total loan to total assets ratio which indicates that increase in the volume of deposits leads to decrease in total loan to total assets ratio. However, non performing loans are positively related to total loan to total assets ratio. It indicates that increase in nonperforming loans leads to increase in total loan to total assets ratio.

Regression analysis

Having indicated the Pearson's correlation coefficients, the regression analysis has been computed and the results are presented in Table 4. More specifically, it shows the regression results of capital adequacy ratio, return on assets, liquidity ratio, foreign ownership, money supply, GDP growth rate and bank size on loan and advances of Nepalese commercial banks.

Table 4: Estimated regression results of total assets, cash reserve ratio, volume of deposit, liquidity ratio, lending rate, non-performing loan, gross domestic product and inflation on loan and advances

(The results are based on panel data of 24 banks with 116 observations for the period of 2011/12-2016/17, by using linear regression model and the model is $LA = \beta_0 + \beta_1 BS_{it} + \beta_2 CRR_{it} + \beta_3 VD_{it} + \beta_4 LQR_{it} + \beta_5 LNR_{it} + \beta_6 NPL_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + e$ *where, dependent variable is LA(Loan and advances is the total annual gross loans and advances of the respective bank, Rupees in billions). The independent variable are BS(bank size is the total assets of the bank, Rupees in Billions), CRR(cash reserve ratio is the minimal percentage of deposits to be kept up in central bank by the commercial banks, in percentage),VD(Volume of deposits define as the placement of funds in an account with a bank, Rupees in billions),LQR(liquidity ratio is the ratio of liquid assets to total assets, in percent),LN-R(interest rate is the rate of interest income divided by total loan, in percentage), NPL(non performing loan is defined as the ratio of nonperforming loan, in percentage),GDP(Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage),INF(inflation is define as the sustained increase in the general price level of goods and services in an economy over a period of time, in percentage).*

Models	Intercept	Regression coefficients of								Adj. R_bar²	SEE	F-value
		BS	CRR	VD	LQR	LNR	NPL	GDP	INF			
1	0.71 (0.75)	-0.64 (43.46)**								0.94	5.05	188.95
2	31.39 (7.28)**		0.33 (1.41)							0.09	20.9	2.01
3	0.11 (0.15)			0.77 (39.43)**						0.93	5.53	154.50
4	41.49 (7.28)**				-15.21 (0.87)					0.02	21.11	0.75
5	66.92 (6.41)*					-27.50 (2.93)**				0.06	20.42	8.60
6	36.17 (12.11)**						0.38 (0.29)			0.08	21.17	0. 89
7	36.07 (9.47)**							0.21 (0.23)		0.08	21.175	0.56
8	33.62 (1.98)*								0.36 (0.19)	0.08	21.17	0.37
9	5.30 (3.58)**	-0.64 (45.93)**			-14.97 (3.78)**					0.94	4.79	264.10
10	4.55 (2.47)*	0.64 (46.02)**			-14.55 (3.67)**		0.31 (1.20)			0.94	4.77	304.41
11	3.29 (0.74)	0.64 (43.98)**			-14.87 (3.72)**	-40.78 (1.53)	0.49 (1.63)		0.63 (1.47)	0.94	4.74	432.94
12	3.576 (0.775)	0.69 (4.24)**	0.18 (0.30)	0.06 (0.32)	-14.65 (-3.66)**	-44.41 (1.57)	0.46 (1.49)		0.62 (1.38)	0.94	4.772	711.26
13	1.653 (0.203)	0.70 (4.17)**	0.02 (0.31)	0.07 (0.38)	-14.52 (3.59)**	-42.73 (1.47)	0.45 (1.39)	1.37 (0.29)	0.87 (0.88)	0.94	4.782	1061.86

Notes:

i. Figures in parentheses are t- values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.

iii. Dependent variable is total loan to total assets.

Table 4 shows that the beta coefficients for bank size are positive and significant with loan and advances. It means that bank size has positive impact on loan and advances. This finding is similar to the findings of Djiogap & Ngoms (2012). Similarly, the beta coefficients for volume of deposits are positive and significant

with loan and advances. It indicates that volume of deposit has positive impact on loan and advances. This finding is consistent with the findings of McCarthy et al. (2010). However, the beta coefficients for lending rate are negative and significant with loan and advances. It indicates that lending rate has negative impact on loan and advances. This finding is similar to the findings of Karim et al. (2014).

The estimated regression results of total assets, cash reserve ratio, volume of deposit, liquidity ratio, lending rate, non-performing loan, gross domestic product and inflation on total loan to total assets ratio in Nepalese commercial banks are presented in Table 5.

Table 5: Estimated regression results of total assets, cash reserve ratio, volume of deposit, liquidity ratio, lending rate, non-performing loan, gross domestic product and inflation on total loan to total assets ratio

The results are based on panel data of 24 banks with 116 observations for the period of 2011/12-2016/17, by using linear regression model and the model is $TL/TA_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 CRR_{it} + \beta_3 VD_{it} + \beta_4 LQRit + \beta_5 LNitR + \beta_6 NPLit + \beta_7 GDPit + \beta_8 INF_{it} + e_{it}$ *where dependent variable is TL/TA (total loan to total assets is the ratio of total loan to total assets, in percentage). The independent variable are BS(bank size is the total assets of the bank, Rupees in Billions), CRR(cash reserve ratio is the minimal percentage of deposits to be kept up in central bank by the commercial banks, in percentage),VD(Volume of deposits define as the placement of funds in an account with a bank, Rupees in billions),LQR(liquidity ratio is the ratio of liquid assets to total assets, in percent),LNR(interest rate is the rate of interest income divided by total loan, in percentage),NPL(non performing loan is defined as the ratio of nonperforming loan, in percentage),GDP(Gross domestic product is a percent increment in the amount of goods and services produced within a national boundary, in percentage),INF(inflation is define as the sustained increase in the general price level of goods and services in an economy over a period of time, in percentage).*

Models	Intercept	Regression coefficients of								Adj. R_bar²	SEE	F-value
		BS	CRR	VD	LQR	LNR	NPL	GDP	INF			
1	0.70 (55.29)**	0.26 (2.39)*								0.27	0.67	5.71
2	0.67 (47.54)**		0.02 (0.34)							0.08	0.69	2.02
3	0.71 (54.77)**			-0.19 (2.58)*						0.17	0.67	6.67
4	0.75 (43.61)**				-0.24 (4.47)**					0.34	0.64	19.97
5	0.73 (21.09)**					-0.55 (1.61)				0.04	0.68	2.59
6	0.66 (69.47)**						0.29 (2.37)*			0.16	0.67	5.63
7	0.68 (54.78**)							-0.01 (0.27)		0.08	0.69	0.72
8	0.70 (12.60)**								-0.02 (0.34)	0.08	0.65	0.16
9	1.01 (10.71)**	0.24 (2.119)*	0.01 (0.78)	-0.16 (2.49)*	-0.24 (5.12)**	-0.24 (5.12)**	0.13 (3.49)**	0.08 (1.46)	-0.09 (0.79)	0.34	0.55	8.70
10	1.01 (10.70)**	0.21 (1.985)*		-0.15 (2.38)*	-0.24 (5.08)**	-1.72 (5.12)**	0.16 (3.43)**	0.08 (1.386)	-0.10 (0.83)	0.35	0.55	9.89
11	0.94 (23.72)**	0.24 (2.29)*		-0.16 (2.69)**	-0.23 (5.03)**	-1.70 (5.09)**	0.12 (3.35)**	0.04 (1.49)		0.35	0.55	11.46
12	0.93 (23.57)**	0.25 (2.35)*		-0.16 (2.73)**	-0.23 (4.94)**	-1.54 (4.87)**	0.11 (3.16)**			0.34	0.55	13.23

Notes:

i. *Figures in parentheses are t- values.*
ii. *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*
iii. *Dependent variable is total loan to total assets.*

Table 5 shows that the beta coefficients for bank size are positive and significant with total loan to total assets ratio. It indicates that bank size have positive impact on total loan to total assets ratio. This finding is consistent with the findings of Cole et al. (2004). The beta coefficients for volume of deposit are negative and significant with total loan to total assets ratio. It indicates that volume of deposit has negative impact on total loan to total assets ratio. This finding is similar to the findings of Hossain et al. (2013). Similarly, beta coefficients for nonperforming loans are negative and significant with total loan to total assets ratio. It indicates that nonperforming has negative impact on total loan to total asset. This finding is consistent with the findings of Boudriga et al. (2009).

IV. Summary and conclusion

Lending which may be on short, medium or long-term basis is one of the services that commercial banks do render to their customers. In other words, banks do grant loans and advances to individuals, business organizations as well as government in order to enable them embark on investment and development activities as a mean of aiding their growth in particular or contributing toward the economic development of a country in general. Commercial banks are the most important savings, mobilization and financial resource allocation institutions. However, commercial banks decisions to lend out loans are influenced by a lot of factors such as the prevailing interest rate, the volume of deposits, the level of their domestic and foreign investment, banks liquidity ratio, prestige and public recognition.

This study attempts to determine the determinants of the lending behaviour of Nepalese commercial banks. The study is based on the secondary data of 24 commercial banks with total of 116 observations for the period of 2011/12 to 2016/17.

The study shows that bank size, cash reserve ratio, volume of deposits, non performing loans, gross domestic product and inflation have positive and significant impact on loan and advances. However, lending rate and liquidity ratio have negative impact on loan and advances. Similarly, the result also shows that bank size, cash reserve ratio and non performing loans have positive and significant impact on total loan to total assets. However, lending rates, volume of deposits, inflation and liquidity ratio have negative impact on total loan to total assets. The study concludes that bank size followed by lending rate, volume of deposits and liquidity ratio is the most important factor that determines the lending behavior of Nepalese commercial banks.

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Factors affecting consumer preference toward soft drink in Kathmandu

Malbika Mulmi

Abstract

This study examines the factors influencing consumer preference toward soft drink in Kathmandu. Consumer preference is dependent variable. Brand, advertisement, availability and taste are selected as independent variables. The primary source of data is used to assess the opinion of respondents on factors affecting consumer preference toward soft drink in Kathmandu. The survey is based on 120 respondents from different areas of Kathmandu. To achieve the purpose of the study, structured questionnaire is prepared and the regression models are estimated to test the significance and factors influencing consumer preference toward soft drink in Kathmandu.

The result shows that advertisement and availability have positive relationship with consumer preference toward soft drink in Kathmandu. It indicates that better the advertisement and availability, higher would be the consumer preference toward the soft drink. Likewise, brand and taste have positive relationship with consumer preference which reveals that better the brand and taste, higher would be the consumer preference. The regression result reveals thatbeta coefficients foradvertisement, brand, availability and taste have significant impact on consumer preference toward soft drink in Kathmandu at 5 percent level of significantce.

Keywords: *advertisement, availability, brand, taste, consumer preference.*

I. Introduction

According to Mihart(2012), preferences can be triggered by the various components such as advertisement, availability, brand, taste, package, etc. and elements referring to label, name, use instructions that accompany the product.It also shows that is positive relation between consumer preference and taste.

Consumer preference refers to how customers select goods and services in relation to factors like taste, preference and individual choices. Factors such as the consumer's income and price of the goods do not influence the customer's preferred products or services (Kumar, 2016).

According to Stanley (1978), subjects taste preferences were significantly related to their consumer preference. Thus, taste plays an important role in consumer preference.

The study revealed that taste is paramount, price is important but secondary, and health and nutritional content of beverages are of limited interest. Taste and price were the most important factors in choosingbeverages. Providing low-cost or free water may conquer taste and consumer preference to reduce sugar-sweetened beverage intake (Block*et al.* 2012).

Burmann*et al.* (1991) found that there is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers that differentiate those goods or services from those of competitors. Islam& Habib (2009) identified the factors affecting the selection of soft drinks by the university students of Bangladesh. The results show that the factors identified by factor analysis are together significantly related to the overall consumption attitude of the consumers. The factors identified by the study like advertisement; taste, brand etc are shown to have a positive impact on consumer preference toward carbonated soft drinks.

Consumer preferences are measured in terms of the level of satisfaction the consumer obtains from consuming various goods. Consumer's objective is to choose the goods which provide the greatest level of satisfaction. But consumers are very much constrained in their choices. These constraints are defined by the consumer's income, and the prices the consumer pays for the goods. Consumer value is measured in terms of the relative utilities between goods and the consumer's preferences (Ubeja*et al*., 2012).

Das*et al.* (2012) revealed that the rapidly shifting marketing dynamics and sensitive competition of global market has augmented the task of brands to a supreme level. From a consumer point of view brand personality is a way for them to express their personalities and define their lifestyles through material possessions. Brand personality encompasses brand voice and brand characteristics. The human like traits found in brands, help consumers to establish a connection with the brand. Marketers strive to make their brands seem like its consumers own. Brand personality gives the brand a face. That face is of extreme importance, because consumers base their choice not only on a differentiating, functional positioning but also on a likeable personality. Strong brand equity is related to distinct brand personality. The study identified brand as important factor in increasing consumer preference.

According to Paracha*et al.* (2012), the study showed that people like Coca cola as it taste is very good. Frequency ofadvertisement, taste and availability arefound to be important factor in consumer preference.

Consumers give importance to taste and benefits (health/nutrition). Increase in promotional efforts results in increased consumption which helps for market penetration and development. Increase in advertisement and taste leads to increase in consumer preference toward a product (Reddy*et al.,* 2007).

Beverly (1998) examined the relative contributions of taste and health considerationson consumer liking and purchase intent of cola drink. Eight different commercial of cola drinks were evaluated by 305 adult consumers. The result revealed that brand

and availability have positive and significant impact on customer preferences.

Ajis*et al*. (1999)revealed that customer preference towards soft drinks which focused on finding the impact of various independent factors such as brand, price, quality, taste, aesthetics, variety, availability, discount& offers, brand ambassador, advertisement, eco-friendliness and ingredients on overall customer preference towards soft drinks. The study concluded that all the factors such as brand, taste, aesthetics, variety, availability, discount & offers, brand ambassador, advertisement, eco-friendliness and ingredients except price, quality, and quantity has significant impact on overall customer preference. Better tasting product, high brand image, availability of the product and increase in promotional tool leads to increase in consumer preference.

In context of Nepal, Kshettri (2013) analyzed the customer satisfaction on coca cola in Nepal.The research concluded that most of switching tendency for customers are triggered by high level of influence of marketing mix like price, place, promotion and distribution strategies of marketers. As switching customers explore variety seeking behavior toward their soft drink it is found that factors like brand, advertisement influences the consumers switching decisions. Study showed that consumers highly concentrated on brand name, taste and quality of soft drink while purchasing the drink. This shows that brand, taste and advertisement has positive impact in consumer preference.

Shakya (2016) revealed that higher level of availability of product, advertisement and features leads to higher level of brand preference of soft drink among college students in Kathmandu valley. It also concluded that students ranked availability as the most important factor affecting brand preference inside Kathmandu valley. It also indicated that easier availability of soft drink leads to an increase in brand preference. The availability of soft drink does have significant impact on brand preference.

According to Bhulon (2010), advertisement is a medium for increment in consumer preference.Lamichhane(2013) revealed that advertising is considered as the primary source of information. Consumer gives more preference to the brand. Television is found to be favorite media for advertisement among consumers. The study showed positive impact of brand and advertisement in consumer preference.

The above discussion reveals that there is no consistency in the findings of various studies concerning the factors affecting consumer preference.

The main purpose of the study is to examine and identify the factors affecting customer preference toward soft drink in Kathmandu. More specifically, this study examines the impact of advertisement, availability, taste and brand on consumer preference toward soft drink in Kathmandu.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 120 respondents. The respondents' views were collected on advertisement, availability, taste, brand and consumer preference.

The model

As the first approximation, the model estimated in this study assumes that the consumer preference depends on the several independent variables. Therefore, the model takes the following form:

$$Cp= \beta_0+\beta_1 B + \beta_2 T + \beta_3 A+ \beta_4 AD +\varepsilon$$

Where,

Cp= Customer preference

B= Brand

T= Taste

A= Availability

AD= Advertisement

β_0= Intercept of the dependent variable

E=Error term and

β_1, β_2 β_3 And β_4 are the beta coefficients of the explanatory variables to be estimated

Brand

A brand is a name, term, design, symbol, or other feature that distinguishes an organization or product from its rivals in the eyes of the customer.A brand is a name given to a product and/or service such that it takes on an identity by itself. (Catalin&Andreea, 2014)stated that there is positive relation between consumer preference and brand. Consumers tend to choose a brand that they consider congruent with their self-image. When part of a larger social group, consumer choices tend to converge to a certain pattern thus forming the basics of an individual social identity.Ger*et al*. (1996) found that brands which are in the marketplace consumerstend to include brands as an element todetermine the qualities of the product rather than employing their time to enhance their knowledge of theproduct in information searching activities. Therefore, consumers use brands as key element to make decisions topurchase or try products. The study found that there is positive relationship between brand and consumer satisfaction.Ashoka*et al.*(2017) found that the factors influencing the purchase of soft drinks and the consumer perception towards soft drinks has a positive effect on establishing a positive effect on brand and consumer preferences. Based on it, this study develops the following hypothesis:

H_1: There is a positive relationship between brand and customer preference.

Advertisement

Advertising is how a company encourages people to buy their products, services or ideas. Gupta&Devi (2008) analyzed the impact of TV advertisement on buying pattern of adolescent girls. The study found that the advertisement plays a vital role in introducing a new product in the family and making better choice during shopping. The results also showed that the respondents preferred to buy branded and standardized product which are more advertised on television. The study showed that there is positive impact of advertisement and consumer preference. Ashaduzzaman (2011)stated that there is positive relation between advertisement and consumer preference. According toLodhi&Fatima (2015), advertisements have been used for many years to influence the buying behaviors of the consumers. Advertisements are helpful in creating the awareness and perception among the customers. The results showed that there is a positive relationship present in between advertisement and consumer preference.Based on it, this study develops the following hypothesis:

H_2: There is positive relationship between advertisement and customer preference.

Taste

Taste refers to a person's liking for particular flavors.Patel (2014) studied the factor measuring the name of brand with respect to taste consciousness toward soft drinks for both carbonated and noncarbonated drinks. The study found that there is positive relationship between taste and consumer preference. Tepper (2008) examined the relative contributions of taste and health considerations on consumer liking and purchase intent of cola drinks. Results revealed that purchase intent of cola drinks was strongly related to degree of liking and to several key sensory attributes including saltiness, drinks flavor and greasiness. The study also found that taste has positive impact on consumer preference.According to Ghose&Lowengart (2001), the study showed that there is positive impact of taste on consumer preference.Based on it; this study develops the following hypothesis:

H_3: There is positive relationship between taste and customer preference.

Availability

Availability is something easy to access or easy to get. Kakumanu (2015) examined the impact of independent factors such as brand, price, quality, taste, variety, availability, discount& offers, advertisement, eco-friendliness and ingredients on overall customer preference towards soft drinks and found that there is positive relationship between availability and consumer preferences. Nandagopal&Chinnaiyan (2003) studied on consumer preference of soft drinks in rural Tamil Naduto rank factors influencing the soft drinkspreferred by rural consumer. The study revealed that there is positive relationship between availability and consumer preference. Conlon& Mortimer (2010) found that there is positive relationship between availability and consumer preference toward .Based on it, this study develops the following hypothesis:

H_4: There is positive relationship between availability and consumer preference.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 1.

Table 1:Kendall's correlation matrix for the dependent and independent variables

(This table reveals the Kendall's correlation coefficients between dependent and independent variables. The correlation coefficients are based on the primary data which were gathered from 120 respondents. Dependent variable isCP (Consumer preference)and independent variables are AD (advertisement), A (availability), B (brand) and T (taste).

Variables	Mean	Std. deviation	AD	A	B	T	CP
AD	2.448	1.005	1				
A	2.412	1.001	0.626**	1			
B	2.403	1.025	0.644**	0.622**	1		
T	2.272	0.919	0.504**	0.460*	0.560**	1	
CP	2.245	0.991	0.516**	0.473*	0.614**	0.546**	1

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The table reveals that there is positive relationship between advertisement and availability with consumer preference. This means that better advertisement and availability leads to increase in consumer preference. Similarly, the result also shows positive relationship of brand and taste with consumer preference. This indicates that better brand and taste leads to higher consumer preference.

Regression analysis

Having indicated the Kendall's correlation coefficient, the regression analysis has been carried out and the results are presented in Table 2. More specifically, the table shows the regression results of advertisement, availability, taste and brand.

The result indicates that beta coefficients are positive for consumer preference. It reveals that better the advertisement, higher would be the consumer preference. This finding is similar to the findings ofGupta&Devi (2008). Likewise, the beta coefficients are positive for availability. It indicates that higher the availability, higher would be the consumer preference. This finding is consistent with the findings ofKakumanu(2015). Similarly, the beta coefficients are positive for brand. This indicates that better brand, higher would be the consumer preference. This finding is consistent with the findings of Catalin andAndreea(2014). Likewise, thebetacoefficients of taste are also positive. It shows that better the level of taste, higher would be the consumer preference. This finding is similar to the findings of Ghose&Lowengart(2001).

Table 2: Estimated regression results of advertisement, availability, taste, brand on consumer preference toward soft drink

(The results are based on 120 observations by using linear regression model. The model isCp=β0+β1B+β2T+β_3A+ β4AD + e where, dependent variable is Cp(Consumer preference) and independent variables are B (brand), T (taste), A (availability) and AD (advertisement.).

Model	Intercept	AD	A	B	T	Adj-R2	SEE	F-value
1	0.578 (3.328)*	0.681 (10.371)**				0.472	0.719	107.55
2	0.533 (3.271)*		0.710 (11.389)**			0.520	0.686	129.718
3	0.334 (2.527)*			0.795 (15.689)**		0.673	0.5664	246.149
4	0.170 (1.315)*				0.914 (17.342)**	0.716	0.528	300.752
5	0.355 (2.137)*	0.315 (3.238)**	0.464 (4.797)**			0.555	0.6607	75.312
6	0.266 (1.889)*	0.144 (3.375)**		0.707 (8.657)**		0.676	0.5643	124.95
7	0.022 (0.167)*	0.200 (3.117)**			0.763 (10.875)**	0.735	0.5097	166.344
8	0.251 (1.820)*		0.168 (1.951)*	0.661 (7.784)**		0.681	0.559	127.904
9	0.039 (0.296)		0.222 (3.292)**		0.736 (9.955)**	0.738	0.5074	168.332
10	0.228 (1.605)*	0.580 (0.639)	0.143 (1.511)	0.636 (6.794)**		0.679	0.5612	84.974

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

IV. Summary and conclusion

Soft drink market is one of the most competitive markets in the world. Soft drink is an important product item in modern society both urban and rural and becoming more popular in the consumer world. In soft drink industry, consumer preferences are given top priority .Preference on other hand can be triggered by the various components such as advertisement, availability, brand, taste, package, etc. Consumer preferences are measured in terms of the level of satisfaction the consumer obtains from consuming various goods. Dramatic increase in advertisement and taste leads to increase in consumer preference toward a product (Reddy& A, 2007).Beverly (1998) examined the relative contributions of taste and health considerations on consumer liking and purchase intent of cola drink. The result revealed that brand and availability have positive and significant impact on customer preferences. Better tasting product, high brand image, availability of the product and increase in promotional tool leads to increase in consumer preference.

The study attempts to examine the factors affecting consumer preference toward soft drink in Kathmandu. This study is based on the primary data which were gathered from 120 respondents. The variables that examine the factors affecting consumer preference are advertisement, availability, taste and brand.

The study shows that brand and taste has positive and significant impact on consumer preference. It indicates that better the taste and brand of the soft drink, higher would be the consumer preference. The study also reveals that there is positive impact of advertisement and availability on consumer preference. It indicates that better the advertisement and availability, higher would be the consumerpreference.

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Nepalese
Journal of Management

Determinants of equity share prices of Nepalese insurance companies

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Abstract

This study examines the factors affecting equity share price of the listed insurance companies in Nepalese Stock Exchange. Stock return and market share price are the dependent variable. The independent variables are dividend per share, earnings per share, book value per share, return on assets, price earnings ratio and size. This study is based on secondary data of 19 insurance companies with 116 observations for the period of 2008/09 to 2016/2017. The data are collected from the annual report of selected insurance companies. The regression models are estimated to test the significance and importance of different firm specific variables on the equity share price of Nepalese insurance companies.

The study shows that there is a positive relationship of dividend per share with market price of share. This indicates that increase in dividend per share leads to increase in market price of share. Similarly, there is a positive relationship between earnings per share and market price of share. It means that higher the earnings per share, higher would be the market price of share. The study also shows that return on assets is positively related to market price of share. It reveals that higher the return on assets, higher would be market price of share. Likewise, the study also shows that there is a positive relationship between size and market price of share. It means that larger the size of the company, higher would be the market price of share. Likewise, the study reveals that price earnings ratio is positively related to market price of share. It indicates that higher the price earnings ratio, higher would be market price of share. The study shows that there is a positive relationship of dividend per share with stock return. This indicates that increase in dividend per share leads to increase in stock return. Similarly, there is a positive relationship between earnings per share and stock return. It means that higher the earnings per share, higher would be the stock return. The study also shows that return on assets is positively related to stock return. It reveals that higher the return on assets, higher would be stock return. Likewise, the study also shows that there is a positive relationship between size and stock return. It means that larger the size of the company, higher would be the stock return. The regression results show that the beta coefficients for dividend per share, earnings per share and are price earnings ratio positive and significant with market price of share. The result also shows that the beta coefficients for book value per share are positive with stock return in the context of Nepalese insurance companies.

Keywords: *Stock return, market price per share, earning per share, dividend per share, book value, return on assets, price earnings ratio and size.*

I. Introduction

Investment in equity share is one of the most liquid forms of investment. Market price of the share is one the most important factor which affects investment decision of investors (Sharma, 2011). Different studies suggested that share price changes are associated with changes in fundamental variables that are relevant for share valuation. The variables are book value per share, dividend coverage ratio, dividend per share, earnings per share, dividend payout ratio, price earnings ratio and firm size (Wilcox, 1984; Rappaport, 1986, Downs, 1991; Sharma and Singh, 2006).

Kurihara (2006) found that stock markets are essential for economic growth as they ensure the flow of resources to the most productive investment opportunities. Stock is the evidence of ownership after investor has invested certain amount of money to a company. According to Fama (1970), a stock market is said to be efficient (pricing) if current securities' prices reflect all available information. In an efficient market, stock prices would be analyzed by Technical Analysis or Fundamental Analysis. Technical analysis evaluates the stock price movement and predicts the future stock price based on historical data of stock price. Shiller (1981) found that stock prices are not stable and fluctuate excessively in relation to the news about fundamentals (as dividends) primarily due to market irrationality.

Irfan and Nishat (2002) took a sample of Pakistani companies between 1981 and 2000 from Karachi Stock Exchange and found that payout ratio and dividend yields are the major determinants of share prices. According to Gill and Mthur (2011), CEO duality has a positive impact on the market value of 91 Canadian manufacturing firms listed on Toronto Stock Exchange (TSX). Likewise, Midani (1991) found earnings per share as a determinant of share prices of 19 Kuwaiti companies. Similarly, Karathanassis and Philippas (1988) investigated the factors affecting share price using cross-sectional and time-series data from eight Greek banks listed on the Athens Stock Exchange, Greece from 1977-1983. The study found that dividend per share and firm sizes are the determinants of share prices. Furthermore, Uddin (2009) found that dividend percentage and earnings per share as determinants of share prices in Bangladesh listed on Dhaka Stock Exchange (DSE). Sharma (2011) revealed that earnings per share, dividend per share and book value per share have significant impact on the market price of share. Further, the results of study indicated that dividend per share and earnings per share are the strongest determinants of market price of share of the firms listed in Bombay stock exchange.

Srivastava (1984) carried out a cross- section study of 327 companies and concluded that high dividend rates are associated with higher market prices of securities. The study therefore stated that the famous Modigliani – Miller model that dividends had no impact on share prices was not applicable in the Indian context. Similarly, Gill et al. (2012) assessed the determinants of equity share prices of 333 American firms listed on New York Stock Exchange (NYSE) for a period of 3 years (from 2009-2011). This study showed that book value per share, earnings per share, dividend per share, price-earnings ratio, the CEO duality, and the internationality of the firm explain the variance of equity share prices in America. Likewise, Zahir and Khanna (1982) assessed the determinants of stock prices in India in 101 industrial giants in

the private sector for the year 1976-77 and 1977-78 with the help of multiple linear regression models. Dividend per share emerged as a significant determinant of share price. Similarly, the study also found that dividend yield has highly significant and negatively associated with market price of share.

Nisa and Nishat (2012) revealed that the firm size and earnings per share are the major determinants of share price of 221 Pakistani firms for the period 1995 to2006. Likewise, Almumani (2014) attempted to identify the quantitative factors that influence share prices for the listed banks in Amman Stock Exchange over the period 2005-2011. The study showed that there is an inverse relationship between firm size and market price of share. Similarly, dividends per share and dividend payout ratio have insignificant impact on market price of share. Taulbee (2005) measured the influences of macroeconomic indicator on the stock market in S&P 500. The result showed that the GDP has a significant correlation with the stock price, where unemployment and inflation have no significant correlation with the stock price.

Flannery and Protopapadakis (2002) found that macro-economic variables are excellent candidates for determining returns because changes in these measures will affect firms' cash flows and influence the risk-adjusted discount rate. Maghayereh (2003) concluded that macroeconomic variables exports, foreign reserves, interest rates, inflation and industrial production are significant in predicting changes in stock prices in the Jordanian capital market. Similarly, Kwon and Shin (1999) found that stock price indices are co-integrated with production index, exchange rate, trade balance, and money supply which provide a direct long-run equilibrium. In addition to this, Akinlo (2015) found that a long run relationship exists among exchange rate reserves, interest rates and stock market development and foreign reserves and have a positive effect on stock market growth.

Nawazish (2008) assessed the book to market (B/M) ratio as key determinant of share prices. The study concluded that the value and size of premium given to investor will boost up the investors to invest more in the stock as a result of which the stock prices will rise. Likewise, Dehuan and Jin (2008) investigated correlation between firm performance (return on equity, earnings per share, profit margin, return on asset, changes in sales, and total asset turnover) and stock price of the top performing stocks listed on Shanghai Stock Exchange study. The study showed that all the variables are significantly correlated to stock price in the year before crisis. However, in the crisis period the firm performance have no explanatory power toward stock price movement. Furthermore, Fisher (1961) determined the relationship between British share prices and different quantitative variables. The study showed the significant impact of dividends, undistributed profits, and company size on share prices quoted on the London Stock Exchange between 1949 and 1957. Uwuigbe et al. (2012) examined the determinants of share prices in the Nigerian stock exchange market. The study found a significant positive relationship between firms' financial performance and the market value of share prices of the listed firms in Nigeria. Consequently, the study concluded that firms' financial performance, dividend payouts, and financial leverage are strong determinants of the market value of share prices in Nigeria.

In the context of Nepal, Pradhan (2003) used Financial Statements of 29 Listed Companies compiled by Nepal Stock Exchange Limited for the period 1991-1999 and found dividend per share as a determinant of share prices. Similarly, Pradhan and Shrestha (2015) examined the impact of dividend policy on market price of share from 2008 to 2013. The study showed that the earnings per share have positive relationship with market price per share. The study also concluded that retained ratio and liquidity ratio are negatively related to market price of share. Likewise, K. C. (2016) assessed the impact of firm specific variables on stock price of Nepalese enterprises. The study showed that dividends have significant impact on the stock price of the enterprises. The study also concluded that earnings per share, profitability and firm size are the major determinants of stock price of banks and non banks in Nepal. Furthermore, Sapkota (2016) concluded that there is positive relationship of market price of share with earnings per share, dividend per share, return on assets, price earnings ratio and gross domestic product.

The above discussion reveals that there is no consistency in the findings of various studies concerning the determinant of equity share price of Nepalese insurance companies.

The major purpose of the study is to examine the determinant of equity share price of Nepalese insurance companies. Specifically, it examines the impact of dividend per share, earnings per share, book value per share, return on assets, price earnings ratio and size on market price of share and stock return of Nepalese insurance companies.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draw conclusions and discuss the implications of the study findings.

II. Methodological aspects

This study is based on the secondary data which were gathered for 19 insurance companies in Nepal from 2008/09 to 2016/2017, leading to a total of 116 observations. The main sources of data include reports published by Insurance Board of Nepal and annual reports of selected insurance companies. Table 1 shows the number of insurance companies selected for the study along with the study period and number of observations.

Table 1: Number of insurance companies selected for the study along with study period and number of observations

S.N.	Name of insurance companies	Study period	Observations
1.	Asian life Insurance Company Limited	2010/11- 2015/16	6
2.	Everest Insurance Company Limited	2011/12- 2016/17	6
3.	Guras Insurance Company Limited	2011/12- 2015/16	5
4.	Himalayan General Insurance Company Limited	2011/12-2016/17	6
5.	NB Insurance Company Limited	2011/12-2016/17	6
6.	Life Insurance Company Limited	2008/09 -2016/17	9
7.	National life Insurance Company Limited	2009/10-2016/17	8
8.	Lumbini General Insurance Company Limited	2012/13-2016/17	5
9.	NECO Insurance Limited	2011/12-2016/17	6
10.	Nepal Insurance Company Limited	2014/15-2016/17	3
11.	NLG Insurance Company Limited	2013/14-2016/17	4
12.	Premier Life Insurance Company Limited	2008/09 -2016/17	8
13.	Prabhu Insurance Company Limited	2011/12-2017/18	7
14.	Sagarmatha Insurance Company Limited	2011/12-2017/18	6
15.	Prudential Insurance Company Limited	2013/14-2017/18	5
16.	Siddhartha Insurance Company Limited	2012/13-2017/18	6
17.	Surya Insurance Company Limited	2011/12-2017/18	6
18.	Shikhar Insurance Company Limited	2010/11-2017/18	8
19.	United Insurance Company Limited	2011/12-2016/17	6
Total number of observations			**116**

Thus, the study is based on 116 observations.

The model

The model used in this study assumes that the equity share price depends on various variables. The dependent variables are market price of share and stock return. The selected independent variables in this study are dividend per share, earnings per share, book value, return on assets, price earnings ratio and size. Therefore, the model takes the following forms:

$$MPS = \beta_0 + \beta_1 DPS + \beta_2 EPS + \beta_3 BV + \beta_4 ROA + \beta_5 PE + \beta_6 S + e$$

$$SR = \beta_0 + \beta_1 DPS + \beta_2 EPS + \beta_3 BV + \beta_4 ROA + \beta_5 PE + \beta_6 S + e$$

Where,

MPS = Market price of share is the ratio of total market price of shares to number of outstanding shares, in Rupees.

SR = Stock return of companies is the sum of dividend yield and capital gains yield, in percentage.

DPS = Dividend per share is the ratio of total dividend divided by number of shares outstanding, in Rupees.

EPS = Earnings per share is the ratio of total earnings of firm to outstanding shares, in Rupees.

BV = Book value per share is the ratio of per share value of a firm based on its equity available to common stockholders, in Rupees.

ROA = Return on assets is the ratio of net income to total assets, in percentage.

P/E = Price earnings ratio is the ratio of share price to earnings per share, in times.

S = Firm size is measured as total assets of the firm, Rupees in million.

The following section describes the independent variables used in this study.

Dividend per share (DPS)

Dividends per share are the amount of dividend that a publicly-traded company pays per share of common stock, over their reporting period that they have issued. It can be determined as total dividend declared (in one year) divided by an outstanding shares. Almumani (2014) found significant positive relationship between the dividend and share price. Sharma (2011) employed linear multiple regression model and concluded that dividend per share are positive determinants of share prices in Bombay Stock Exchange. Based on it, this study develops the following hypothesis:

H_1: There is a positive relationship between dividend per share and equity share price.

Earnings per share (EPS)

EPS is an important indicator for performance of any company trading in the stock exchange. EPS is the ratio of the net income available to common stockholders and number of outstanding shares. Masum (2014) found a positive and significant relationship between earnings per share and stock price. Similarly, Almumani (2014) found a significant positive relationship between earning per share and the market price of share. Based on it, this study develops the following hypothesis:

H_2: There is a positive relationship between earnings per share and equity share price.

Book value per share (BV)

Book value per share is the ratio of per share value of a firm based on its equity available to common stockholders. According to Sharma (2011), there is positive relationship between book value per share and share value. Likewise, Emamgholipour et al. (2013) concluded that book value per share has a positive impact on the equity price of the firm. Based on it, this study develops the following hypothesis:

H_3: There is a positive relationship between book value and equity share price.

Size(S)

The size of the bank is measured by the amount of total assets. The shares of large companies are actively traded and they provide more liquidity and marketability to the investors. Ramzan (2013) revealed that size has a positive significant relationship with the equity share price. Similarly, Chandra (1981) indicated that size has positive impact on equity price of firm. Based on it, this study develops the following hypothesis:

H_4: There is a positive relationship between size and equity share price.

Price earnings ratio (P/E)

P/E indicates the extent to which the earnings of each share are covered by its price. It tells whether the share price of a company is fairly valued, undervalued, or overvalued. Tandon and Malhotra (2013) indicated that price-earnings ratio has

positive impact on firm's equity price. Similarly, Uddin (2009) also indicated that price-earnings ratio has a significant positive impact on firm's equity price. Based on it, this study develops the following hypothesis:

H_5: There is a positive relationship between price earnings ratio and equity share price.

Return on asset (ROA)

Return on assets shows the percentage of how profitable a company's assets are in generating revenue. It is ratio of net income to total assets. Higher the ROA number, the higher would be the share price because the company is earning more money on less investment. Goaied and Naceur (2002) found positive and statistically significant relation between return on assets and market value. Based on it, this study develops the following hypothesis.

H_6: There is a positive relationship between ROA and equity share price.

III. Results and discussion

Descriptive statistics

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2008/09 to 2016/2017.

Table 2: Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of insurance companies for the study period of 2008/09 to 2016/2017. MPS (market price of share is the ratio of total market price of shares to number of outstanding shares, in Rupees) and SR (stock return of companies is the sum of dividend yield and capital gains yield, in percentage) are the dependent variables. The independent variables are DPS (dividend per share is the ratio of total dividend divided by number of shares outstanding, in Rupees), EPS (earnings per share is the ratio of total earnings of firm to outstanding shares, in Rupees), BV (book value per share is the ratio of per share value of a firm based on its equity available to common stockholders, in Rupees), ROA (return on assets is the ratio of net income to total assets, in percentage), P/E (price earnings ratio is the ratio of share price to earnings per share, in times) and S (firm size is measured as total assets of the firm, Rupees in million).

Variables	Minimum	Maximum	Mean	S. D.
MPS	66	4095	749.61	809.23
SR	-1.28	6.16	0.64	1.37
DPS	0	73	18.47	15.08
EPS	10.28	106.39	28.51	28.69
BV	6.72	338.39	172.20	59.66
ROA	1.85	3.70	0.19	0.63
P/E	231	496.87	27.37	63.51
S	6.68	8937.98	276.03	1175.22

Table 2 shows that the market price of share ranges from minimum of Rs. 66 to maximum of Rs. 4095, leading to an average of Rs 749.61. Similarly, earnings per share range from a minimum of Rs. 10.28 to a maximum of Rs. 106.39, leading to an average of 28.51. Likewise, return on assets ranges from a minimum of 1.85 percent to a maximum of 3.70 percent, leading to an average of 0.19 percent.

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed. The Pearson's correlation coefficients for the selected Nepalese insurance companies have been computed and the results are presented in Table 3.

Table 3: Pearson's correlation coefficients matrix for selected Nepalese insurance companies

This table shows the bivariate Pearson's correlation coefficients between different variables used in the study. The correlation coefficients are based on the data from 19sample insurance companies for the period 2008/09 to 2016/2017. MPS (market price of share is the ratio of total market price of shares to number of outstanding shares, in Rupees) and SR (stock return of companies is the sum of dividend yield and capital gains yield, in percentage) are the dependent variables. The independent variables are DPS (dividend per share is the ratio of total dividend divided by number of shares outstanding, in Rupees), EPS (earnings per share is the ratio of total earnings of firm to outstanding shares, in Rupees), BV (book value per share is the ratio of per share value of a firm based on its equity available to common stockholders, in Rupees), ROA (return on assets is the ratio of net income to total assets, in percentage), P/E (price earnings ratio is the ratio of share price to earnings per share, in times) and S (firm size is measured as total assets of the firm, Rupees in million).

Variables	MPS	SR	DPS	EPS	BV	ROA	P/E	S
MPS	1							
SR	0.363**	1						
DPS	0.365**	0.165	1					
EPS	0.197*	0.093	0.577**	1				
BV	0.208*	0.202*	0.221	0.682**	1			
ROA	0.003	0.037	-0.011	0.327**	0.290**	1		
P/E	0.365**	0.108	0.097	-0.003	-0.060	0.014	1	
S	0.114	0.075	0.320**	0.081	-0.086	-0.050	0.057	1

Notes: The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.

Table 3 shows that there is a positive relationship of dividend per share with market price of share. This indicates that increase in dividend per share leads to increase in market price of share. Similarly, there is a positive relationship between earnings per share and market price of share. It means that higher the earnings per share, higher would be the market price of share. The study also shows that return on assets is positively related to market price of share. It reveals that higher the return on assets, higher would be market price of share. Likewise, the study also shows that there is a positive relationship between size and market price of share. It means that larger the size of the company, higher would be the market price of share. Likewise, the study reveals that price earnings ratio is positively related to market price of share. It indicates that higher the price earnings ratio, higher would be market price of share.

The study shows that there is a positive relationship of dividend per share with stock return. This indicates that increase in dividend per share leads to increase in stock return. Similarly, there is a positive relationship between earnings per share and stock return. It means that higher the earnings per share, higher would be the stock return. The study also shows that return on assets is positively related to stock return. It reveals that higher the return on assets, higher would be stock return.

Likewise, the study also shows that there is a positive relationship between size and stock return. It means that larger the size of the company, higher would be the stock return.

Regression analysis

Having indicated the Pearson's correlation coefficients, the regression analysis has been computed and the results are presented Table 4. More specifically, it shows the regression results of dividend per share, earnings per share, book value per share, return of assets, price earnings ratio and firm size on market price of share of selected Nepalese insurance companies.

Table 4: Estimated regression results of dividend per share, size, price earnings ratio, return on assets, book value per share, and earnings per share on market price of share

The results are based on panel data of 19 insurance companies with 116 observations for the period of 2008/09 to 2016/2017 by using the linear regression model and the model is $MPS = \beta_0 + \beta_1 DPS + \beta_2 EPS + \beta_3 BV + \beta_4 ROA + \beta_5 PE + \beta_6 S + e$, *where MPS (market price of share is the ratio of total market price of shares to number of outstanding shares, in Rupees) is the dependent variable. The independent variables are DPS (dividend per share is the ratio of total dividend divided by number of shares outstanding, in Rupees), EPS (earnings per share is the ratio of total earnings of firm to outstanding shares, in Rupees), BV (book value per share is the ratio of per share value of a firm based on its equity available to common stockholders, in Rupees), ROA (return on assets is the ratio of net income to total assets, in percentage), P/E (price earnings ratio is the ratio of share price to earnings per share, in times) and S (firm size is measured as total assets of the firm, Rupees in million).*

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		DPS	EPS	BV	ROA	P/E	S			
1	3.51 (7.77)**	0.16 (3.80)**						0.22	3.15	20.40
2	7.68 (9.18)**		0.27 (4.89)**					0.31	3.26	39.42
3	9.14 (8.50)**			0.09 (1.98)*				0.09	5.30	5.10
4	0.93 (2.27)*				0.13 (3.02)**			0.19	7.12	19.08
5	1.12 (1.34)					0.02 (0.25)		0.06	2.96	1.45
6	6.01 (3.11)**						0.10 (2.72)**	0.10	4.89	9.68
7	1.12 (1.43)	0.05 (0.78)		0.11 (1.98)*				0.38	1.98	14.82
8	2.14 (1.91)	0.06 (0.97)	0.33 (3.49)**	0.02 (0.47)	0.06 (1.01)			0.13	4.33	16.54
9	1.42 (1.03)		0.02 (0.82)	0.06 (0.31)	0.13 (2.66)**			0.21	7.26	9.58
10	1.18 (1.56)		0.07 (0.87)		0.27 (0.33)	0.11 (2.93)**	0.17 (3.08)**	0.32	5.46	11.25
11	1.61 (1.09)			0.12 (2.56)*	0.05 (0.90)	0.13 (1.77)	4.06 (3.28)**	0.21	7.32	14.05

Notes:

i. *Figures in parentheses are t-values.*
ii. *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*
iii. *Dependent variable is market price of share.*

Table 5 shows the beta coefficients for return on assets are positive with market price of share. It indicates that there is a positive impact of return on assets on market price of share. This finding is consistent with the findings of Goaied and Naceur (2002). Similarly, the beta coefficients for firm size are positive with market price of share. It indicates that there is a positive impact of firm size on market price of share. This finding is similar to the findings of Ramzan (2013). Similarly, the beta coefficients for earnings per share are positive with market price of share. It indicates that there is a positive impact of earnings per share on market price of share. This finding is similar to the findings of Almumani (2014).

The estimated regression results of dividend per share, earnings per share, book value per share, and return of assets, price earnings ratio and firm size on stock returns are presented in Table 5.

Table 5: Estimated regression results of dividend per share, earnings per share, book value per share, returns on assets, price earnings ratio and size on stock return

The results are based on panel data of 19 insurance companies with 116 observations for the period of 2008/09 to 2016/2017 by using the linear regression model and the model is $SR= \beta_0+ \beta_1 DPS+ \beta_2 EPS+ \beta_3 BV+ \beta_4 ROA+ \beta_5 PE+ \beta_6 S+ e$*, where SR (stock return of companies is the sum of dividend yield and capital gains yield, in percentage) is the dependent variable. The independent variables are DPS (dividend per share is the ratio of total dividend divided by number of shares outstanding, in Rupees), EPS (earnings per share is the ratio of total earnings of firm to outstanding shares, in Rupees), BV (book value per share is the ratio of per share value of a firm based on its equity available to common stockholders, in Rupees), ROA (return on assets is the ratio of net income to total assets, in percentage), P/E (price earnings ratio is the ratio of share price to earnings per share, in times) and S (firm size is measured as total assets of the firm, Rupees in million).*

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		DPS	EPS	BV	ROA	P/E	S			
1	3.51 (7.77)**	0.36 (3.81)**						0.32	6.76	18.52
2	7.68 (9.18)**		0.17 (2.16)*					0.19	5.60	5.05
3	9.14 (8.57)**			0.04 (0.94)				0.06	9.58	3.95
4	2.93 (2.27)**				0.31 (3.02)**			0.29	7.21	14.13
5	1.12 (1.34)					0.02 (0.25)		0.04	4.83	5.51
6	4.01 (3.11)**						0.25 (2.72)**	0.21	8.68	7.41
7	6.15 (5.75)**	0.26 (3.68)**	0.03 (0.09)					0.35	17.05	7.21
8	5.23 (4.43)**	0.24 (3.74)**	0.25 (0.62)	0.42 (0.85)				0.23	12.13	9.04
9	1.56 (1.22)	0.15 (2.47)*		0.03 (0.07)	0.12 (1.99)*			0.19	16.39	15.99
10	1.44 (1.05)	0.16 (2.12)*		0.04 (0.09)	0.27 (2.93)**		0.68 (0.84)	0.29	13.47	14.66
11	1.06 (1.23)		0.49 (1.44)		0.23 (2.75)**	0.80 (0.97)	0.19 (1.57)	0.14	19.72	15.35

Notes:

i. *Figures in parentheses are t-values.*
ii. *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*
iii. *Dependent variable is stock return.*

Table 5 shows the beta coefficients for book value per share are positive with stock return. It indicates that there is a positive impact of book value per share on stock return. This finding is consistent with the findings of Sharma (2011). Similarly, the beta coefficients for earnings per share are positive with stock return. It indicates that there is a positive impact of earnings per share on stock return. This finding is similar to the findings of Almumani (2014). Similarly, the beta coefficients for dividend per share are positive with stock return. It indicates that there is a positive impact of dividend per share on stock return. This finding is similar to the findings of Sharma (2011).

IV. Summary and conclusion

The market price of the share is an important factor that has impact on investment decision of stock market investors. The share price is one of the most important indicators available to the investors for their decision to invest in or not a particular share. The improvement in the share price is necessary to maximize shareholders' wealth and to create a greater prospect for future opportunities. Understanding of fundamental factors that influence share prices can helps corporations, investors, and government. By understanding the factors that influence share prices, executives and managers of corporations can make sound financial decisions and formulate policies related to dividend payment and rights issues.

This study attempts to examine the determinants of stock price of Nepalese insurance companies. The study is based on secondary data of 19 insurance companies with 116 observations for the period 2008/09 to 2016/2017.

The study shows that dividend per share, earnings per share, book value per share, return of assets, price earnings ratio and firm size have positive impact on stock returns. Similarly, dividend per share, earnings per share, book value per share, and return of assets, price earnings ratio and firm size have positive impact on market price of share. The study concludes that earnings per share followed by dividend per share and return of assets are the most influencing factor that determines the market price of share of Nepalese insurance companies. The study also concludes that dividend per share followed by earnings per share and firm size is the most influencing factor that determines the stock return of Nepalese insurance companies.

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Effect of CSR on customer satisfaction in Nepalese commercial banks

Neema Lama

Abstract

This study examines the effect of CSR on customer satisfaction in Nepalese commercial banks. Customers' satisfaction is dependent variable. Ethical CSR, environment CSR, legal CSR and economic CSR as independent variables. The primary source of data is used to assess the opinion of respondents on effect of CSR on customer satisfaction and loyalty in Nepalese commercial banks. The survey is based on 102 respondents from 13 commercial banks in Nepal. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of customer satisfaction in commercial banks.

The result shows that economic CSR and ethical CSR have positive relationship with customers' satisfaction of Nepalese commercial banks indicating that better the economic CSR and ethical CSR, higher would be the customers' satisfaction. Likewise, environment CSR and legal CSR have positive relationship with customers' satisfaction which reveals that better the environment CSR and legal CSR, higher would be the customers' satisfaction. The regression result reveals that beta coefficients for environment CSR have positive and significant impact on customer satisfaction of Nepalese commercial banks at 5 percent level of significant.

Keywords: *Economic CSR, ethical CSR, legal CSR, environment CSR and customers' satisfaction.*

I. Introduction

CSR is defined as the obligations of businessmen to pursue their policies, to make their decisions or to follow those lines of action which are desirable by the objectives and values of society (Bowen, 1953). According to Davis (1960), CSR refers to businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest.

CSR means that organizations take on responsibility toward others in society including their shareholders and customers (Holloway, 2004). Carroll (1991) explained that social responsibility can only become reality if more managers become moral instead of amoral and immoral. Now, it has become very much essential to operate a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business as per business for social responsibility.

Customer satisfaction is defined as a collection of outcome of perception, evaluation and psychological reactions to the consumption experience with a good or service which is measured by the number of repeat customers. Churchill and Suprenant (1982) defined customer satisfaction as a disconfirmation paradigm since it is a result of confirmation/disconfirmation of expectation that evaluates a product's performance with its expectation and desire. Customer satisfaction is therefore an attitude or a rating made by the customer by comparing their pre-purchase expectation and desire (Oliver, 1980).

Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation (Kotler and Keller, 2006). Customer satisfaction is seen to be a state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Kevin, 1995). Satisfaction therefore appears to be between pre-exposure and post exposure of attitudinal components and serves as a link between the various stages of consumer buying behavior (Jamal and Naser, 2002).

Sen *et al.* (2006) found that CSR enhances customer satisfaction which further leads to positive financial returns and may improve managers understanding. CSR also contributes positively to market value and this helps to obtain competitive advantage raping more financial benefits by investing in CSR.

Chung *et al.* (2015) showed that CSR positively influence customer satisfaction. the result also revealed that consumer protection is the most important factor for CSR.

Ofori *et al*. (2014) found that there is positive relationship between CSR practices, legal practice and customer satisfaction in Ghana. Suparman (2013) analyzed the impact of corporate social responsibility. The study found the mediating role of CSR on customer satisfaction.

Tai *et al.* (2010) found that economic CSR has a positive relationship with customer satisfaction. Hence, organization should be engaged in more CSR activities to enhance customer satisfaction.

Hassan *et al.* (2013) found that economic CSR has a positive and significant impact on customer satisfaction. Porter (1991) found that there is a positive relationship between environment CSR and customers' satisfaction in commercial banks.

Lee and Seber (2012) revealed that there is positive relationship between legal CSR and customers' satisfaction in commercial banks. The more the organization performs the legal CSR activities, higher would be the customers' satisfaction. Nareeman and Hassan (2013) found that ethical CSR activities of the organization have a positive impact on the customer satisfaction.

Wu & Lin (2014) examined the impact of CSR by dividing consumers into X- and Y-generation consumer groups. The study found that the X- and Wu Green & Peloza (2011) found that there is a significant relationship between customer satisfaction and corporate social responsibility.

Medarevic (2012) showed that three banks factors environment, ethical and

economic were significantly related to customer satisfaction. Akanbi and Ofoegbu (2012) revealed that the dimensions of corporate social responsibility have positive effect on organizational performance.

Flammer (2013) revealed that the environmental CSR activities has a positive impact on customer satisfaction. Pauline *et al*. (2013) found that ethical CSR positively influences customer satisfaction and retention.

Galbreath (2010) found that CSR is positively linked to customer satisfaction. Firms can improve their consumption experiences with customers by demonstrating CSR. CSR practices positively influence the organization's corporate reputation and customer loyalty (Maignan and Ferrell, 2004).

McDonald and Rundle-Thiele (2008) found that many enterprises have been spending millions and billions of money on CSR activities in order to build a stronger relationship with their stakeholders, especially customers. Auger *et al.* (2006) proposed that certain CSR initiatives are positively related to an overall measure of retail banking customer satisfaction.

Awareness of CSR policies and practices has a positive influence on consumer's evaluations of product attributes (Brown and Dacin, 1997).

Orlitzky *et al.* (2003) showed that ethical CSR has a positive relationship with customer satisfaction and organizations needs to enhance the CSR activities in order to improve customer satisfaction.

Raman (2012) revealed that measure performances of most firms with regard to their CSR efforts besides their financial performance. The relationship between ethical behavior and customer satisfaction is mediated by level of trust, commitment and reliability (Alrubaiee, 2012).

Arıkan & Güner (2013) found that there is positive relationship between customer satisfaction and economic CSR. Legal CSR is positively associated with customer satisfaction (Lichenstein *et al.,* 2004). Gupta (2007) also found that ethical CSR, economic CSR, legal CSR have positive relationship with customer satisfaction.

In the context of Nepal, Shrestha *et al.* (2011) found a positive and significant relation between corporate social responsibility and economic.

Shah *et al.* (2012) revealed that there is a significant and positive relationship between ethical CSR and customer satisfaction. Similarly, Chapagain (2012) found that there is a positive relationship between ethical CSR and customer satisfaction.

Adhikari (2012) found that reliability has positive and significant impact in Nepalese commercial banks. CSR has assisted in raising productivity, lowering cost of production and generating employment opportunities (Bhattacharya and Luo, 2006).

Upadhyay and Dhungel (2013) carried out a study on corporation social responsibility reporting practices in the banking sectors of Nepal indicated that CSR is not mandatory in Nepal and the banks which have made its disclosure have done in voluntary.

The above discussion reveals that there is no consistency in the findings of various studies concerning the effect of CSR on customers' satisfaction of Nepalese commercial banks.

The main purpose of the study is to examine the effect of CSR on customers' satisfaction of Nepalese commercial banks. More specifically, it examines the relationship of economic CSR, ethical, legal CSR and environment CSR with customers' satisfaction.

The remainder of this paper is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 102 respondents of 13 commercial banks of Nepal. The respondents' views were collected on economic CSR and ethical CSR, environment CSR, legal CSR and customers' satisfaction.

Table 1 shows the number of commercial banks along with the number of the respondents selected for the study.

Table 1: Name of commercial banks along with the number of respondents

S.N	Name of enterprises	Respondents
1	Global IME Bank Limited	10
2	Rastriya Banijya Bank	8
3	Bank of Kathmandu	9
4	Siddhartha Bank Limited	11
5	Mega bank	14
6	NMB bank LTD.	10
7	Standard chartered Bank	12
8	Everest Bank Limited	7
9	Prabhu Bank Limited	8
10	NIC Asia Bank	6
11	Sunrise Bank	6
12	Sanima Bank Limited	4
13	Himalayan Bank Limited	3
Total		**102**

Thus, the study is based on 102 observations.

The Model

As the first approximation, the model estimated in this study assumes that customer satisfaction depends on the several independent variables. Therefore, the model takes the following form:

$$CS = \beta o + \beta 1LC + \beta 2EC + \beta 3ECO + \beta 4EVN + e$$

Where,

CS= Customer satisfaction

LC = Legal CSR

EC = Ethical CSR

ECO = Economic CSR

EVN = Environment CSR

Economic CSR

The economic CSR refers to the effect that corporate social responsibility has on the finances of the company. Tan and Komaran (2006) found that economic CSR initiatives by organization positively influences customer satisfaction. Lee and Seber (2012) found that economic CSR is positively associated with level of trust leading to customer satisfaction and retention. Hassan *et al.* (2013) found that economic CSR has a positive and significant impact on customer satisfaction. Based on it, this study develops the following hypothesis.

H_1: There is positive relationship between economic CSR and customer satisfaction.

Legal CSR

Legal CSR refers to those legal actives that are conducted by the business organization when they are legally stable. Lee and Seber (2012) found that legal CSR has a positive and significant impact on customer satisfaction. McDonald and Rundle-Thiele (2008) found that legal CSR is positively associated with customer satisfaction. Collier and Esteban (2007 found customer show greater trust and confidence when organization acts in accordance with legal regulation to protect consumer privacy. The study shows positive and significant relationship between legal CSR and customer satisfaction. Based on it, this study develops the following hypothesis.

H_2: There is positive relationship between legal CSR and customer satisfaction.

Ethical CSR

Ethical CSR refers to those ethical actives that are conducted by the business organization when they are ethically stable. According to Alrubaiee (2012), the relationship between ethical behavior and customer satisfaction is mediated by level of trust, commitment and reliability. The study also found positive relationship with customer satisfaction. Similarly, ethical CSR is positively associated with brands that fulfil the promises made would enhance customer satisfaction (Hanif *et al.,* 2010). It was analyzed that there is significant positive relationship between ethical CSR and customer satisfaction. Also fair-trade practices such as green labelling and other sustainable activities perform by the organization leads to customer satisfaction and retention (Carroll, 1991). Based on it, this study develops the following hypothesis.

H_3: There is positive relationship between ethical CSR and customer satisfaction.

Environment CSR

The environmental dimension of corporate social responsibility refers to your business's impact on the environment. Chung *et al.* (2015) showed that CSR positively influence customer satisfaction more than customer loyalty. Also, consumer protection is the most important factor for CSR. Porter (1991) found that positive relationship of customer satisfaction with environment CSR. Russo & Fouts (1997) found that environment CSR has a positive and significant impact on customer satisfaction. Based on it, this study develops the following hypothesis.

H_4: There is positive relationship between economic CSR and customer satisfaction.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 2.

Table 2: Kendall's correlation matrix for the dependent and independent variables

(This table reveals the Kendall's correlation coefficients between dependent and independent variables. CS (customer satisfaction) is dependent variable and eco (economic CSR), LR (legal CSR), ER (Ethical CSR), Env (Environmental CSR) are independent variables).

Variables	Mean	Std. deviation	ECO	Legal	Ethical	Env CSR	CS
ECO	2.241	0.569	1				
Legal	2.135	0.532	0.390**	1			
Ethical	2.102	0.582	0.406 **	0.593**	1		
Env CSR	2.221	0.628	0.385**	0.376**	0.528**	1	
CS	2.136	0.562	0.362*	0.404**	0.573*	0.484**	1

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The table reveals the positive relationship between economic CSR and environment CSR with customer satisfaction. This means that better economic CSR and environment CSR leads to increase in customer satisfaction. Similarly, the result also shows the positive relationship of ethical CSR and legal CSR with customer satisfaction. This indicates that better ethical CSR and legal CSR leads to higher customer satisfaction.

Regression analysis

Having indicated the Kendall's correlation coefficient, the regression analysis has been carried out and the results are presented in Table 3. More specifically, the table shows the regression results of economic CSR, ethical CSR, environment CSR and legal CSR on customer satisfaction.

Table 3: Estimated regression results of economic, legal, ethical, evn CSR and CSon CSR effect on customer satisfaction and loyalty in commercial banks.

(The results are based on 102 observations by using linear regression model. The model is $CS = \beta o + \beta 1LR + \beta 2ER + \beta 3EC + e$ *where, CS (customer satisfaction) is dependent variable and eco (economic CSR), LR (legal CSR), ER (Ethical CSR), Env (Environmental CSR) are independent variables).*

Model	Intercept	Regression coefficient of				Adj-R2	SEE	F-value
		ECO	LR	ER	Env			
1	1.09 (5.29)**	0.47 (4.31)**				0.08	0.54	14.14
2	0.946 (4.752)**		0.55 (6.16)**			0.23	0.49	47.80
3	0.724 (4.74)**			0.672 (9.603)**		0.10	0.53	19.45
4	0.984 (5.75)**				0.517 (4.573)**	0.07	0.54	11.63
5	0.610 (2.76)**	0.282 (3.03)**	0.41 (4.25)**			0.323	0.466	25.14
6	0.535 (2.947)**	0.155 (3.864)**		0.597 (7.452)**		0.487	0.406	48.99
7	0.655 (3.224)**	0.252 (2.789)**			0.411 (5.076)**	0.365	0.408	32.33
8	0.530 (2.734)**	0.154 (3.818)**	0.008 (3.072)**	0.592 (3.592)**		0.482	0.48	22.38
9	0.418 (2.283)**	0.103 (1.237)		0.493 (5.595)**	0.203 (2.529)**	0.514	0.39	36.57
10	0.395 (1.862)	0.161 (1.757)	0.299 (3.115)*		0.344 (4.091)**	0.416	0.433	25.00

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The result indicates that beta coefficients are positive for economic CSR. It reveals that higher the economic CSR, higher would be the customer satisfaction. This finding is similar to the findings of Tan and Komaran (2006). Similarly, the beta coefficients are positive for the ethical CSR. It indicates that higher the ethical CSR, higher would be the customer satisfaction. This finding is similar to the findings of Alrubaiee (2012). The beta coefficients for legal CSR are positive with customer satisfaction which denotes that better the legal CSR, higher would be the customer satisfaction. This finding is similar to the finding of Lee and Seber (2012)

Likewise, the beta coefficients are positive for environment CSR. It indicates that better the environment CSR, higher would be the customers' satisfaction. This finding is similar to the findings of Chung *et al.* (2015).

IV. Summary and conclusion

CSR means that organizations take on responsibility toward others in society including their shareholders and customers (Holloway, 2004). Customer satisfaction is defined as a collection of outcome of perception, evaluation and psychological reactions to the consumption experience with a good or service. It is a result of a cognitive and affective evaluation where some comparison standard is compared

to the actually perceived performance. Customer satisfaction holds the potential for increasing an organization customer base, the use of more volatile customer mix and increase in the firm's reputation (Alabar et al., 2014). Competitive advantage is secured through intelligent identification and satisfaction of customer needs.

The study attempts to examine the effect of CSR on customers' satisfaction in Nepalese commercial banks. This study is based on primary data of 13 commercial banks with 102 observations. The variables that examine the effect of CSR on customers' satisfaction are economic CSR, ethical CSR, environment CSR and legal CSR.

The study reveals that economic CSR and ethical CSR positive and significant impact on the customers' satisfaction. It indicates that better the economic CSR and ethical CSR, higher would be the customers' satisfaction. Similarly, environment CSR and legal CSR are positively related to customer's satisfaction indicating that better the environment CSR and legal CSR, higher would be the customer's satisfaction.

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Impact of employee empowerment on job satisfaction of Nepalese commercial banks

Nikhil Paudel

Abstract

This study examines the impact of employee empowerment on job satisfaction of Nepalese commercial banks. Job satisfaction is dependent variable. Promotion, salary, motivation and incentives are selected as independent variables. The primary source of data is used to assess the opinion of respondents on employee empowerment on job satisfaction of Nepalese commercial banks. The survey is based on 102 respondents from 14 commercial banks in Nepal. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of employee empowerment on job satisfaction of Nepalese commercial banks.

The result shows that promotion and salary have positive relationship with job satisfaction of Nepalese commercial banks indicating that better the promotion and salary, higher would be the job satisfaction. Likewise, motivation and incentives have positive relationship with job satisfaction which reveals that better the motivation and incentives, higher would be thejob satisfaction. The regression result reveals that beta coefficients for employee empowerment have positive and significant impact on job satisfaction of Nepalese commercial banks at 5 percent level of significant.

Keywords: *promotion, salary, motivation, incentives, job satisfaction, employee empowerment*

I. Introduction

Job satisfaction is the collection of feeling and beliefs that people have about their current job. People's degrees of job satisfaction can range from extreme satisfaction to extreme dissatisfaction (George *et al.* 2008).Job satisfaction is a complex and multifaceted concept which mean different things to different people. Job satisfaction is usually linked with motivation (Mullins, 2005).

Conger and Kanungo (1988) defined empowerment as a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions. Itfosters powerlessness by both formal organizational practices and informal techniques of providing efficacy information.

According to Kinlaw (1996), empowerment requires structural and systematic changes in the organization, like shortening the lines of incentives and modifying empowerment systems which empowers employees to attain satisfaction towards

their job. The results revealed that empowerment is positively related to job satisfaction.

According to Eker *et al.* (2007), job satisfaction is defined as an affective reaction to a job that results from the person's comparison of actual outcomes with those that are desired, anticipated or deserved. Bader *et al.* (2013) concluded that factors like marital status, education level and the duration of work have positive effects on the level of job satisfaction.

Lazear and Sherwin(1981) found that intrinsic sources of satisfaction depend on the individual characteristics of the person, such as the ability to use initiative, relations with supervisors, or the work that the person actually performs. These are symbolic or qualitative facets of the job. Extrinsic sources of satisfaction are situational and depend on the environment, such as pay, promotion, or job security. Both extrinsic and intrinsic job facets should be represented as equally as possible, in a composite measure of overall job satisfaction.

The study found that promotion is significant on job satisfaction (Clark and Oswald, 1996). Shields and Ward (2001) identified that the employees who are dissatisfied with the opportunity available for promotion show a greater intention to leave the organization. The study also found a positive relationship between promotion and job satisfaction.

Lo and Ramayah (2011) revealed that there is a positive relationship between empowerment motivation, promotion and job satisfaction.

Panagiotakopoulos (2013) revealed the employee motivation and employee's job satisfaction are positively correlated. Smith and Rupp (2003) stated that job satisfaction and motivation are positively related to each other. Higher the motivation, higher would be the job satisfaction. Dysvik and Kuvaas (2010) identified that motivation was the strongest predictor of turnover intention and job satisfaction.

Kabir *et al.* (2011) evaluated job satisfaction of employees in the pharmaceutical sector of Bangladesh. The results revealed positive relationship between motivation, salary and job satisfaction.

Nasurdin and Ramayah (2003) noted that motivated workers are committed to their job and remains in the organization while dissatisfied workers intend to quit. Therefore, job satisfaction and motivation are positively related to each other.

Kou (2013) argued that successful organization must combine the strengths and motivations of internal employees and respond to external changes and demands promptly to show the job satisfaction. The results found a significant relationship between motivation and job satisfaction.

Funmilola (2013) discovered that salary, the level of the motivation, employee's opportunities for promotion significantly affect the job satisfaction and performance of employees. The study analyzed that employee motivation, opportunities for promotion and proper salary have positive relationship with job satisfaction.

Vieira (2005) examined low and high paid workers' job satisfaction in the European

Union (EU). The results showed salary is positively related to employee job satisfaction.

Promotion must be implemented based on clear procedures, which are known to management and staff. The nature of jobs, the quality of supervision, co-workers pay and promotional avenues effects job satisfaction. Promotion results in high work performance, less employee turnover and less absenteeism (Lamsal, 2012).

Chruden& Sherman (1980) viewed promotion as the means to ensure effective utilization of skills and abilities those individuals have been able to develop. Tessema and Soeters (2006) found that there is a positive relationship among the promotion and job satisfaction of employees.

According to McCausland *et al.* (2005), lower-paid wage earner's satisfaction was found to be low than higher-paid employees. The study concluded that higher the salary, higher would be the level of job satisfaction.

Chahal. (2013) examined the level of job satisfaction of employees. The study attempted to gain insights into the satisfaction level from the perspective of the bank employees. Factors including salary of employees, performance appraisal system, promotional strategies, employee's relationship with management and other co-employees were found important for improving job satisfaction of bank employees. The study further showed positive relationship of motivation, incentives, promotion with job satisfaction.

Herzberg *et al*. (1957) examined the relationship between salary levels on worker satisfaction and found that increased salary results in increased job satisfaction. There is positive relationship between salary and job satisfaction (Beutell and Berman, 1999). Mohanty (2009) found that job satisfaction and salary have positive relationship. Igalens and Roussel (1999) revealed that increased salary leads to high job satisfaction.

In the context of Nepal, Adhikari (2010) examined the relationship between demographic variables such as age, gender, and service years of employees and job satisfaction. The study found that job satisfaction is influenced by demographic and personal characteristics of the employees.

A study on the association between work motivation and satisfaction of teachers revealed that there is a positive association between work motivation and job satisfaction of teachers. The result also suggested that the administration must increase the scale of payment according to the market price of other commodities to motivate teachers. The study revealed a significant relationship between motivation, salary and job satisfaction (Maharjan, 2012).

Gyawali (2016) examined the relationship between compensation, promotion, bonus, and recognition and job satisfaction. The study showed that compensation, promotion, bonus, empowerment and recognition has significant and positive impact on job satisfaction.

Pandey (2016) also revealed that there is a positive impact of motivation, salary, incentives, promotion on employee job satisfaction. There is a positive impact of

employee empowerment practices (promotion, salaries, motivation and incentives system) on employee satisfaction (Shrestha, 2016).

The above discussion reveals that there is no consistency in the findings of various studies concerning the impact of employee empowerment on job satisfaction of Nepalese commercial banks.

The main purpose of the study is to examine the impact of employee empowerment on job satisfaction of Nepalese commercial banks. More specifically, it examines the relationship of employee's satisfaction with promotion, salary, motivation and incentives.

The remainder of this paper is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 102 respondents of 14 commercial banks of Nepal. The respondents' views were collected on promotion, salary, motivation, incentives and job satisfaction. Table 1 shows the number of commercial banks along with the number of the respondents selected for the study.

Table 1: Sample of employees involved in banking sector for primary data

S.N.	Name of commercial banks	Respondents
1	Bank of Kathmandu	6
2	Everest Bank Limited	11
3	Himalayan Bank Limited	10
4	Kumari Bank Limited	5
5	Laxmi Bank Limited	10
6	Mega Bank	5
7	NABIL Bank Limited	10
8	NIC Asia	6
9	Nepal Rastra Bank	5
10	Nepal SBI	8
11	Nepal Bank Limited	5
12	Sanima Bank limited	6
13	Siddhartha Bank Limited	5
14	Standard Chartered Bank	10
Total		102

Thus, the study is based on 102 observations.

The Model

As the first approximation, the model estimated in this study assumes that the employee job satisfaction and commitment depends on the several independent variables. Therefore, the model takes the following form:

Model I

$JS = \alpha + \beta_1 S + \beta_2 M + \beta_3 P + \beta_4 I + e$

Where,

JS = Job Satisfaction

α= intercept

$\beta_{1,}\ \beta_{2,}\ \beta_{3}$ = coefficient of the variables

S = Salary

M = Motivation

P = Promotion

I = Incentives

e = error term

Salary

According to Calisir *et al*. (2010), salaries are the most important determinants of job satisfaction and found that there is positive and significant between the salary system and employee satisfaction. Similarly, Katua *et al*. (2014) found positive impact of salary practices on the employee commitment and job satisfaction. Shah (2010) found that salaries has significant impact on the level of job satisfaction of employees. Kabir (2011) conducted a study on job satisfaction of employees in the pharmaceutical sector of Bangladesh. The results revealed that salary significantly affects the level of job satisfaction of employees. Based on it, the study develops the following hypothesis:

H_1: There is positive relationship between salary and job satisfaction.

Motivation

Employee motivation means the willingness of an individual to do efforts and take action towards organizational goals. Nadia (2011) found that employee motivation has positive relationship with job satisfaction. Similarly, Rajan and Babu (2012) found positive and significant correlation between job satisfaction and motivational factors. Cropanzano *et al*. (2005) identified that there is positive relationship between motivation and performance of the employees with respect to their job satisfaction level.Based on it, the study develops the following hypothesis:

H_2: There is positive relationship between salary and job satisfaction.

Promotion

Promotion is a way of rewarding the employees for meeting the organizational goals. Thus, it serves as a mean of synchronizing organizational goals with personal goals (Lazear and Sherwin, 1981). Financially sound organizations like HP (Hewlett-Packard) use the promotion practices to develop their employees (Truss, 2001). There is positive relationship between promotion and job satisfaction (Koontz, 1992).Promotion must be implemented based on clear procedures, which are known to management and staff. Managers should take concrete steps in improving the

level of promotion which is positively related with employee job satisfaction. Lamsal(2012). Based on it, the study develops the following hypothesis:

H_3: There is positive relationship between promotions and job satisfaction.

Incentives

Incentivesare usually referred to as intangible returns including cash compensation and benefits. Incentives system is set of mechanisms for distributing both tangible and intangible returns as part of an employment relationship (Rue and Byars, 1992). There is significant relationship between incentives and job satisfaction (Kalleberg, 1977). Clifford (1985) argued that job satisfaction may be determined through job incentives, where incentives is positively related to employee's job satisfaction. Jundy (2006) found that there is a significant impact of incentives on employees' satisfaction. Based on it, the study develops the following hypothesis:

H_4: There is positive relationship between incentives and job satisfaction.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 2.

Table 2: Kendall's correlation matrix for the dependent and independent variables

(This table reveals the Kendall's correlation coefficients between dependent and independent variables. JS (job satisfaction) is the dependent variable and P (promotion), S (salary), (motivation) M and I(incentive) are the independent variables).

Variables	Mean	SD	P	S	M	I	JS
P	1.859	0.382	1.000				
S	1.992	0.308	0.143	1.000			
M	1.900	0.315	0.187*	0.368**	1.000		
I	1.933	0.388	0.166*	0.277**	0.312**	1.000	
JS	1.635	0.283	0.127	0.271**	0.177*	0.195*	1.000

Notes: *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively*

The result shows promotion is positively related to job satisfaction which means that increase in promotion leads to increase in job satisfaction of employees. Similarly, salary is also positively related to employee performance. It indicates that increase in salary leads to increase in the job satisfaction. Likewise, motivation is positively related to employee performance. It reveals that increase in motivation leads to increase in job satisfaction. Similarly, incentives is also positively related to job satisfaction which means that increase in incentives leads to increase in job satisfaction.

Regression analysis

Having indicated the Kendall's correlation coefficient, the regression analysis has been carried out and the results are presented in Table 3. More specifically, the table shows the regression results of promotion, salary, motivation and incentives on employee job satisfaction.

Table 3: Estimated regression of P, S, M, I and JS of the employees

(The results are based on 102 observations by using linear regression model. The model is JS = a+ β_1P+β_2S+β_3M+ β_4I+ e, where JS (job satisfaction) is the dependent variable and P (promotion), S(salary),M(motivation) and I (incentive) are the independent variables).

Model	Intercept	Regression coefficients of				Adj. R2	SEE	F
		P	S	M	I			
1	1.340 (7.471)**	0.159 (2.669)**				0.017	0.29579	2.787
2	1.012 (6.540)**		0.313 (4.088)**			0.135	0.27758	16.714
3	1.341 (9.019)**			0.155 (2.017)**		0.029	0.29396	4.067
4	1.240 (8.314)**				0.204 (2.701)**	0.059	0.28951	7.294
5	0.858 (4.087)**	0.099 (2.093)**	0.298 (3.843)**			0.136	0.27731	8.970
6	0.985 (5.654)**		0.299 (3.489)**	0.29 (3.353)**		0.127	0.27880	8.347
7'	1.130 (6.371)**			0.092 (2.138)**	0.170 (2.098)**	0.061	0.28909	4.303
8	0.848 (3.892)*	0.097 (3.042)*	0.292 (3.393)*	0.014 (2.171)*		0.128	.27868	5.931
9	0.903 (4.823)**		0.268 (2.979)**	0.006 (2.78)**	0.097 (2.186)**	0.131	.27823	6.058
10	0.792 (3.538)**	0.084 (3.895)**	0.264 (2.939)**		0.087 (2.057)**	0.129	.27851	4.733

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The result indicates that the beta coefficient is positive for promotion. It reveals that higher the promotion, higher would be the job satisfaction. This finding is similar to the finding of Lamsal(2012). Moreover, the positive beta coefficients of salary indicate that higher the salary, higher would be the employee job satisfaction. This finding is similar to the finding of Kabir *et al.* (2011).

The beta coefficient is positive for motivation. It reveals that higher the level of motivation, higher would be the employee job satisfaction. This finding is similar to the finding of Horwitz *et al.* (2003).Likewise, the beta coefficient is positive for incentives. It reveals that higher the incentives, higher would be the employee job satisfaction. This finding is similar to the finding of Burgess and Jundy (2006).

IV. Summary and conclusion

Empowerment is define as a process of enhancing feelings of self-efficacy among organizational members through the identification of conditions that foster powerlessness and through their removal by both formal organizational practices

and informal techniques of providing efficacy information (Conger and Kanungo, 1988).Job satisfaction as a pleasurable or positive emotional state resulting from the appraisal of the one's job or job experiences. Job satisfaction has been studied both as a consequence of many individual and work environment characteristics and as an antecedent to many outcomes (Locke, 1976)

The study attempts to examine the impact of employee empowerment on job satisfaction in Nepalese commercial banks. This study is based on primary data of 14 commercial banks with 102 observations. The variables that examine the impact employee empowerment on job satisfaction are promotion, salary, motivation and incentives.

The study reveals that promotion and salary has positive and significant impact on the employee' job satisfaction. It indicates that better the promotion and salary, higher would be the employee satisfaction. Similarly, motivation and incentives are positively related to employee' job satisfaction which denotes that better the level of motivation and incentives facilities, higher would be the employee' job satisfaction. In addition, employee motivation has positive impact on employee satisfaction.

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Factors influencing customer satisfaction on public transport in Kathmandu

Nisha Thapa

Abstract

This study examines the factors influencing customer satisfaction on public transport in Kathmandu. Customer satisfaction is dependent variable. Price, safety and security, service quality, and perception of fairness is selected as independent variables. The primary source of data is used to assess the opinion of respondents on customer satisfaction on public transport in Kathmandu. The survey is based on 126 respondents from random variable. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of customer satisfaction on public transport in Kathmandu.

The result shows that price and service quality have positive relationship with customer satisfaction towards public transport in Kathmandu. It indicates that better price and service quality, higher would be the customer satisfaction. Likewise, safety and security and perception of fairness have positive relationship with customer satisfaction which reveals that better the safety and security and perception of fairness, higher would be the customer satisfaction. The regression result reveals that beta coefficients for variable have positive and significant impact on customer satisfaction on public transport in Kathmandu at 5 percent level of significance.

Keywords: *price, safety and security, service quality, perception of fairness, and customer satisfaction.*

I. Introduction

According to Oliver (1997),satisfaction is defined as the customer fulfillment. It is a judgment that a product or service provides a pleasurable level of consumption related fulfillment, included levels of under or over –fulfillment .Need fulfillment is a comparative processes giving rise to the satisfaction responses.Any gaps lead to disconfirmation; i.e. positive disconfirmations increases or maintain satisfaction and negative disconfirmation create dissatisfaction

Transportation defined as a conveyance that provides continuing general or special transportation to the public. Public transportation contains trolleys, busses, subways, rails and ferry boats. The study showed that public transportation plays a significant role as it improves the quality of our day to day life (Tran and Kleiner, 2005).

Lytle and Timmerman (2006) showed that service orientation is the path which adds value to the customer and creates satisfaction. It, also, gives a competitive advantage

and leads to development and profitability.

McKnight *et al*. (1998) and Parasuraman *et al*.(2000) stated that service quality is a complex area of study and measuring service quality in public transport is even more difficult by the subjective nature of service. Service quality in the public transport sector has remained an elusive and much neglected area of study.

Car (2008) and Khurshid (2012) examined the perception of people about the public transport and choice of mode of transportation for travelling purposes .The study found that the flexibility, cost and travel time are the important factors that affect people's choice about the mode of transportation. Moreover, the study found that safety and security of public transportation has positive impact on the passenger satisfaction.

Beirão & Cabral (2007) argued increased private motorization has resulted in an increased traffic congestion which in turn results in longer travel times for many people. The study shows main problem of overall passengers satisfaction with public city transport and found that passenger satisfaction may be affected by the overall service quality. Frequency, punctuality, cleanliness in the vehicle, proximity, speed, fare, accessibility and safety of transport, information and other factors can influence passenger's satisfaction. This phenomenon was caused because of attractiveness of car and people love to drive. An increased private motorization has resulted in an increased traffic congestion which in turn results in longer travel times for many people.

In previous years services started to be developed and as a result they nowadays comprise a significant vital factor in growth economies as a major element which ensures the rising and the development of the economies. One big example is the United States which can be considered as a service dominated economy especially in the early 90's as it was based in services which constituted the biggest percent in Gross National Product (Martin and Horne, 1992).These authors, also, showed in the same research that the economies globally were moving from products to services considering 2 basic strategic elements: Firstly, the new role of the customer, as a participant in the production, and secondly the development of a new service process.

Kanyama *et al*. (2004) found that urban public transport industry is one of the service sectors, which contributed much to economy of the country and also plays important role of reducing unemployment problem in Tanzania. Principal function of urban public transport industry should be organized around to satisfy the passenger the result also found that when the passengers are satisfied, then the public services are credited with proving effective opportunities.

Javid *et al*. (2013) argued that the rapid increase in urban population has resulted problems in urban transportation. According to several South African studies, the quality of public transport service in South Africa requires urgent improvement. It affected mostly poorer member of the community who rely on it for daily commuting. Several studies in developing countries confirmed that the poorer members of the community are often faced with inadequate transport service.

In addition to congestion, private motorization is also affecting the safety of vulnerable road user's high consumption of non-renewable resource, and causes serious threat to the quality of human environments). In order to prevent more problems caused by this increase in motorization it is highly recommended by many researchers as well as public decision makers to provide an attractive public transport service as an alternative transport mode in many cities/towns.(Kodukula, 2009)

Tripathi *et al.*(2012) studied the service quality of public transport in India .The study found that the usage of public transport in India has been declining over the recent years despite that travel demands have increased in geometric proportion. Furthermore, the study stated that the causes for this decline in India can be attributed to the facts like underdeveloped infrastructures facilities, poor quality of services and socio-cultural stigmas associated with public transport.

In United State of America, public transport is largely institutionally committed to the government monopoly model. The overwhelming majority of public transport service is provided by government monopolies. Perhaps the most important reason that the government monopolies have survived is that, public transport policy largely nationalize. For the case of Japan, in the large urban areas, most transport services (bus and rail) is provided by private companies on a commercial (non-subsidized) basis (Cox, 2001)

Cervero (2000) revealed that pedestrian facilities do not support the use of public transport. Serious problems associated with road space encroachment. Pedestrian facilities are normally misused by street vendors and/or parked motorcycles which force pedestrians to walk on the roads. In some cases, market activities may use part of the road, narrowing the effective width used by traffic. Road signs and markings are not adequate and not effectively used.

Dziekan and Kottenhoff (2007) presented that, real-time information displays affect customer satisfaction by influencing several dimensions. Specifically, perceived waiting is being reduced as customer with real time information overrate their waiting time Furthermore, it has positive psychological effects and particularly. It decreases uncertainty and stress as customers know the actual department time. It increases the feelings of security of customers epically at night and it finally increases the easiness of use as customers want to economize efforts when they make a trip. Additionally, it increases willingness to pay it creates an adjusting travel behavior as customers can utilize its waiting time constructively or can archives more effective travelling. Moreover, real time information displays create mode choices, as a result of the augmentation of patronage leading finally to new customer.

In the context of Nepal, Udas (2012) found that passengers are satisfied with public transport frequency, accessibility and security but not satisfied with waiting time, fare, comfort level, driving way, cleanliness and maintenance. Roads are narrow and traffic congestion is a major and worsening problem. In addition around 5300 public transport vehicles including buses, micro and mini buses, tempos and taxis are currently registered and the number of privately owned cars and especially motorbikes are growing. This increase is attributed to the ease of accessing low

interest bank loans and the increasing frustration of travelers with overcrowding on the public transportation system. Road safety is a major issue and recent reports indicated that 130 serious traffic accidents (and over 1000 minor accidents) are reported every day in Kathmandu valley.

The above discussion reveals that there is no consistency in the findings of various concerning the factors influencing passenger's satisfaction on public transport.

The main purpose of the study is to examine the factors influencing passenger satisfaction on public transport in Kathmandu. More specifically, it examines the customer satisfaction level from price, safety and security, service quality, perception of fairness.

The reminder of this paper is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 126 respondents from random sampling. The respondents' views were collected on price, safety and security, service quality, perception of fairness..

The Model

As the first approximation, the model estimated in this study assumes that the customer satisfaction depends on the several independent variables price, service quality, safety and security, perception of fairness. Therefore, the model takes the following form:

$$CS=\beta_0+\beta_1 P+\beta_2 SS+\beta_3 SQ+\beta_4 PF+e$$

Where,

CS=Customer Satisfaction

P=Price

SS=Safety and Security

SQ=Service Quality

PF= Perception of fairness

E=Errors terms

B_0=intercept of dependent variable.

β_1, β_2, β_3 and β_4 are the beta coefficients of the explanatory variables to be estimated

Price

Price is defined as the quantity of payment or compensation by one party to another. Reichheld (1996) has found that there is positive relationship between price and

customer satisfaction. Hensher and Bullock (1979) showed that there is positive relationship between price and passenger satisfaction. Voss *et al*. (1998) concluded that there is positive relationship between price and customer satisfaction.

H_1: There is positive relationship between price and customer satisfaction on customer satisfaction

Service quality

Service quality is defined as an action or activity which can be offered by a party to another party, which is basically intangible and cannot affect any ownership. Magi & Julander (1996) showed that there is a positive relationship between service quality and customer satisfaction. Wang & Hing-Po (2002) found the positive relationship between service quality and customer satisfaction. Parasuraman *et al*. (1985) found the positive relationship between service quality and customer satisfaction.

H_2: There is a positive relation between service quality and consumer satisfaction.

Safety and security

Safety and Security refers to the situation where the passengers of the public transportation feel how much safe during travelling. According to Currie (2010), there is positive relationship between safety and security. Cicerone & Anderson (1997) found that there is positive relationship between safety and security and customer satisfaction. Mesenbrink (2000)revealed that there is positive relationship between safety and security and customer satisfaction.

H_3: There is positive relationship between safety and security and customer satisfaction.

Perception of fairness

Perception of fairness is defined as organizational commitment; trust in managers, and organizational citizenship behaviours are much desired attitudes and behaviours in employees. Gummesson (2012) revealed that there is a positive relationship between perception of fairness and customer satisfaction. Alexander & Ruderman (1987) found that there is positive relationship between perception of fairness and customer satisfaction. Greenberg (1993) showed positive relationship between perceptions of fairness.

H_4: There is positive relationship between perception of fairness and customer satisfaction.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients for dependent and independent variables have been computed and the results are presented in Table 2.

Table 2: Kendall'scorrelation matrix for the dependent and independent variables

(The table shows the Kendall's correlation coefficients of different dependent and independent variables. The correlation coefficients are based on the primary data. Dependent variable is CS (customer satisfaction) and independent variables are P (Price), SAS (safety and security), SQ (service quality) and POF (perception of fairness).

Variables	Mean	Std. deviation	P	SAS	POF	SVQ	CS
P	9.838	3.052	1				
SAS	2.319	0.761	0.317**	1			
POF	2.595	1.024	0.281**	0.443**	1		
SVQ	2.568	0.776	0.363**	0.479**	0.482**	1	
CS	2.625	0.791	0.346**	0.437**	0.472**	0.51588	1

Note: Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The table reveals the positive relationship between price and service quality with customer satisfaction. This means that better price and service quality leads to increase in customer satisfaction. Similarly, the result also shows the positive relationship of safety and security and perception of fairness with customer satisfaction. This indicates that better performance appraisal leads to higher employee satisfaction.

Regression analysis

Having indicated the Kendall's correlation coefficient, the regression analysis has been carried out and the results are presented in Table 3. More specifically, the table shows the regression results of price, safety and security, service quality, perception of fairness on customer satisfaction.

The result indicates that beta coefficients are positive for price. It reveals that better the price, higher would be the positive satisfaction. This finding is similar to the findings of Reichheld (1996). Similarly, the beta coefficients are positive for the service quality. It indicates that higher the service quality, higher would be the customer satisfaction. This finding is similar to the findings of Magi & Julander (1996). The beta coefficients for safety and security are positive with customer satisfaction which denotes that better the safety and security, higher would be the customer satisfaction. This finding is similar to the finding of Currie (2010).

Likewise, the beta coefficients are positive for perception of fairness. It indicates that better the perception of fairness, higher would be the customer satisfaction. This finding is similar to the findings of Gummesson (2012).

Table 4.13: Estimated regression results of P, SAS, SVQ, POF, and CS on public transport Kathmandu

(The results are based on 126 observations by using linear regression model. The model is EJP= a+β_1P+ β_2SAS+ β_3SVQ+ β_4POF+ + β_6TW+e, where, dependent variable is CS (Customer satisfaction) and independent variables are P(Price), SAS(Safety and security), SVQ (Service and quality), and POF(Perception of fairness).

Model	Intercept	P	SAS	SVQ	POF	Adj-R2	SEE	F-value
1	1.398 (6.652)**	0.125 (6.113)**				0.225	0.696	37.364
2	1.236 (6.643)**		0,599 (7.851)**			0.120	0.480	22.330
3	0.853 (4.723)**			0.690 (10.243)**		0.454	0.584	104.918
4	1.389 (9.124)**				0.477 (8.731)	0.376	0.625	76.236
5	0.817 (3.848)**	0.730 (3.611)**	.470 (5.789)**			0.386	0.620	40.333
6	0.672 (3.615)**		2.530 (2.928)**	0.532 (6.265)**		0.485	0.567	59.949
7	0.470 (2.343)**	0.045 2.048	0.209 (2.407)**	0.476 (5.515)**		0.505	55.707	43.457
8	0.461 (2.370)**	0.040 (2.192)**	0.141 (1.621)**	0.367 ($.024)**	0.192 (3.008)**	0.350	0.539	37.005
9	0.638 (3.547)**	.	0.176 (2.017)**	0.408 (4.503)**	0.205 (3.179)**	0.521	0.547	46.295
10	0.681 (3.438)**	0.055 (2.909)**	0.274 (3.206)**		0.294 (4.741)**	0.477	0.572	39.074

Notes: Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

IV. Summary and conclusion

Public transportation is becoming a need for daily activates of people and in carrying hoods from one place to another. This is essential for improving accessibility to employment, education, health, and other urban services for improving welfare of the urban poor and low-income household. Although number of private vehicles is increasing everywhere due to number of factors but the demand of public transportation has never decelerated. It is particularly paying a key role in the life of poor man, because they do not their own personal vehicles due to lack of personal resources.

The study attempts to examine the factors influencing passenger satisfaction on public transport in Kathmandu. This study is based on the primary data which were gathered from 126 respondents. The variables that examine the factors influencing customer satisfaction on public transportation are price, service quality, safety and security, perception of fairness.

The study shows that price and service quality has positive and significant impact on customer satisfaction. It indicates that better the price and service quality, higher

would be the customer satisfaction. The study also reveals that there is positive impact of safety and security and perception of fairness. It indicates that better the safety and security, higher would be the customer satisfaction.

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Nepalese
Journal of Management

Impact of service quality on customer satisfaction of Nepalese commercial banks

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Abstract

This study examines the impact of service quality on customers' satisfaction of Nepalese commercial banks. Customers' satisfaction is dependent variable. Tangibility, reliability, responsiveness, assurance and empathy are selected as independent variables. The primary source of data is used to assess the opinion of respondents on service quality on customers' satisfaction of Nepalese commercial banks. The survey is based on 103 respondents from 25 commercial banks in Nepal. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the significance and importance of service quality on customers' satisfaction of Nepalese commercial banks.

The result shows that tangibility and reliability have positive relationship with customers' satisfaction of Nepalese commercial banks indicating that better the tangibility and reliability, higher would be the customers' satisfaction. Likewise, responsiveness and assurance have positive relationship with customers' satisfaction which reveals that better the responsiveness and assurance, higher would be the customers' satisfaction. The regression result reveals that beta coefficients for empathy and assurance have positive and significant impact on customers' satisfaction of Nepalese commercial banks at 1 percent level of significance.

Keywords: *tangibility, reliability, responsiveness, assurance, empathy and customer satisfaction.*

I. Introduction

Customer service is one of the most important factors governing business. Customer satisfaction is a long-term strategy. It is difficult to radically alter perceptions of product quality over a short time horizon. It is too difficult to quickly cultivate reputation for superior customer service. Consequently, customer satisfaction has a competitive advantage that is sustainable over the long term (Schnaars and Steven, 1991).

Customer satisfaction is an evaluation that the chosen alternative is consistent with prior beliefs with respect to that alternative (Engel & Blackwell, 1982). Customer satisfaction plays main role to create profitable business environment. Customer service provided by the organizations has strong effect on the performance of organizations.

Service quality provides a better option for customer to do daily transaction securely.

So, bank should focus on better customer service strategy to satisfy the needs of the customer. Good service quality holds the potential to fundamentally change banks and the banking industry. Banks and financial companies must serve their customer's requirements on a regular basis in order to understand the factors that can affect their adoption or usage of quality service. Satisfied customers mean a long term profitable business since, they stay loyal to the business (Gumesson, 2002).

Service quality has a significant impact on a bank's success and performance (Mouawad & Kleiner, 1996). Service quality is particularly essential in the banking services because customer satisfaction depends on the quality of service and it becomes a key to competitive advantage (Ahmossawi, 2001).

Parasuraman *et al. (*1988) defined service quality as a difference between customer expectation of service and customer's perceptions of the actual service. Oliver (1997) argued that service quality can be described as the result from customer comparisons between their expectations about the service which use and their perceptions about the service company.

According to Kasper *et al.* (1999), service quality as the degree to which the service offered can satisfy the expectations of the user. Customers are the sole judges of service quality. If they perceived good service, they became satisfied with the service quality by comparing their expectations with perception. Yoo and Park (2007) found that employees are integral part of the service process, critical element in enhancing perceived service quality.

According to Jamal and Anastasiadou (2009), reliability, tangibility and empathy are positively related to customer satisfaction. Oliver (1997) examined the relationship between service quality and customer satisfaction and found that there is positive relationship of tangibility and reliability with customer satisfaction.

Zeithaml *et al.* (1990) perceived service quality is the extent to which a firm successfully serves the purpose of customers and found that there is positive relationship between perceived quality and customer satisfaction.

Butcher (2001) revealed that physical facilities, equipment and appearance have a significant influence on customer satisfaction. Tangibility dimensions are the aspects that customers observe before or after entering into the banking branches and creates their first impressions about the banking services (Yavas *et al.* 1997).

Jun & Cai (2001) analyzed the key determinants of internet banking service quality. The result of the study showed that the ability to perform the promised service was significantly related to customer satisfaction. Nguyen & Leblanc (2001) argued that reliability as reputation that can be the most reliable indicator of service quality which is positively related to customer's satisfaction. Ndubisi (2006) analyzed service quality dimensions in retail banking and found that assurance and empathy, reliability and responsiveness, assurance and tangibility are positively related to customer satisfaction.

Ehigie (2006) examined customer loyalty in Nigerian banks. The result of the study showed that customer loyalty has a significant influence on customer satisfaction. The

also study found empathy and customer satisfaction have a significant relationship towards the customer satisfaction. Sulieman (2011) found that reliability, tangibility, responsiveness and assurance have significant and positive relationship with customer satisfaction.

Diaz & Ruiz (2002) showed that assurance as the knowledge and courtesy of employees and their ability to inspire trust and confidence. The result of the study showed that trust and confidence has found a significant relationship with customer satisfaction. Several studies found that the exchange of information is an important part of both traditional selling and relationship marketing which may lead to a shared understanding (Lymperopoulos *et al.* 2006). Sadek *et al.* (2010) analyzed the service quality perceptions between cooperative and Islamic banks of Britain and found that there is positive impact of assurance on customer satisfaction.

According to Portela & Thanassoulis (2006), not only empirically studies of the relationship between service quality and customer satisfaction in banking system are limited, but also the existing studies on bank branches efficiency in general do not account for the changing role of bank branches. Service quality is of utmost importance in analyzing the performance of bank branches, since their survival depends on their service quality levels.

Excellence in service quality is a key to achieve customer loyalty which is the primary goal of business organizations. According to Anubav (2010), aimed to explore the factors affecting customer satisfaction and their relative importance in the retail banking sector. The result revealed that service quality positively affects the customer satisfaction.

In context of Nepal, Dhungle *et al.* (2012) conducted a study on banks customer's perception towards automated teller machine (ATM) service quality in Nepal and found that service quality has positive impact on customer satisfaction.

Gyawali and Kunwar (2014) conducted the study in order to explore customer's perceptions about banking service quality and their satisfaction taking attentions over five service dimension tangibles, responsiveness, empathy, assurance and reliability. Higher variability in overall SQ perception (satisfaction) is contributed by reliability, responsiveness, assurance and empathy.

The above discussion reveals that there is no consistency in the findings of various studies concerning the impact service quality on customer satisfaction on Nepalese commercial banks.

The main purpose of the study is to examine the impact of service quality on customer satisfaction in Nepalese commercial banks. More specifically, it examines the relationship of tangibility, reliability, responsiveness, assurance and empathy with customer satisfaction.

The remainder of this paper is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 103 respondents of 25 commercial banks of Nepal. The respondent's views were collected on tangibility, reliability, responsiveness, assurance, and empathy and customer satisfaction.

Table 1 shows the number of commercial banks along with the number of the respondents selected for the study.

Table 1: Name of commercial banks along with the number of respondents

S.N	Name of banks	Observations
1	Nepal Bank Limited	5
2	RastriyaBanijya Bank Limited	10
3	Standard Chartered Bank Nepal Limited	5
4	Nabil Bank Limited	5
5	Himalayan Bank Limited	5
6	Nepal SBI Bank Limited	3
7	Nepal Bangladesh Bank Limited	5
8	Everest Bank Limited	5
9	Nepal Investment Bank Limited	5
10	Bank of Kathmandu Limited	4
11	Megha Bank Limited	5
12	Siddhartha Bank Limited	4
13	Laxmi Bank Limited	5
14	Global IME Bank Limited	4
15	Prabhu Bank Limited	3
16	NMB Bank Limited	3
17	Sanima Bank Limited	3
18	Janata Bank Limited	2
19	NIC Asia Bank Limited	4
20	Machhapuchhre Bank Limited	4
21	Sunrise Bank Limited	3
22	Lumbini Bank Limited	2
23	Citizen Bank International Limited	2
24	Agriculture Development Bank Limited	4
25	Civil Bank Limited	3
	Total number of respondents	**103**

Thus, the study is based on 103 observations.

The Model

As the first approximation, the model estimated in this study assumes that the customer satisfaction and commitment depends on the several independent variables. Therefore, the model takes the following form:

$$CS = \beta_0 + \beta_1 T + \beta_2 R + \beta_3 R + \beta_4 E + \beta_5 A + e$$

Where,

CS = Customer satisfaction

T=Tangible

R=Reliability

RP=Responsiveness

E=Empathy

A=Assurance

e = error term

$\beta_{0\,=}$ intercept of the dependent variable

β_1, β_2, β_3, β_4 and β_5 are the beta coefficients of the explanatory variables to be estimated.

Tangibility

Parasuraman *et al.* (1988) defined tangibility as physical facilities, equipment and appearance of personal and management team. Modern looking or sophisticated equipment's and visually appealing or attractive ambience are viewed as the positive impacts of tangibility on customer satisfaction in banking sector (Ananth *et al.* 2011). Zineldin (2005) reveled a positive relationship tangible with customer satisfaction. Leong *et al*. (2015) found that tangibility has a substantial direct effect on customer satisfaction in the airline industry. Based on this, the study develops following hypotheses:

H_1: There is positive relationship between tangibility and customer satisfactions.

Reliability

According to Zeithaml *et al.* (1990), reliability is the ability to perform the required service to customers dependably and accurately as promised to deliver. Yang and Fang (2004) found a positive influence of reliability on customer satisfaction. Walker (1990) found that reliability is a significant factor of product quality. Reliability is the service core to most customers and managers should use every opportunity to build a positive relationship with customer (Berry *et al.*,1990). Based on this, the study developed following hypotheses:

H_2: There is positive relationship between reliability and customer satisfaction.

Responsiveness

Zeithaml *et al.* (1990) defined responsiveness as the interests shown in providing prompt service to customers when required. Kumar *et al.* (2009) reveled that there is positive relationship between responsiveness and customer satisfaction. Galloway (1996) reported that proper balance between staff skills and customers' expectation resulted that there is significant service quality towards customer. Lee *et al.* (2000) have found responsiveness as the most important dimension in the people-based industries. Leong *et al.* (2015) confirmed a positive effect of responsiveness on customer satisfaction in the airline industry. Based on this, the study developed following hypotheses:

H_3: There is positive relationship between responsiveness and customer satisfaction.

Assurance

Assurance is defined as the knowledge and good manners or courtesy of employees (Van Iwaarden *et al.* 2003). Sadek *et al.* (2010) found there is positive relationship between assurance and customer satisfaction. Arasli *et al.* (2005) concluded that assurance has the strongest impact on customer satisfaction. Bitner(1990) argued that customer loyalty is much strongly impacted by assurance than any other dimension of service quality. Kenyon and Sen (2015) service, costs, benefits, security of customers' transactions and personal information have positive relationship with customer satisfaction. Based on this, the study developed following hypotheses:

H_5: There is positive relationship between assurances and customer satisfaction.

Empathy

Empathy is defined as the ability to take care of customer's attention individually in providing service to customers (Van Iwaarden *et al.* 2003). Ananth *et al.* (2011) revealed that convenient working hours, individualized attention, better understanding of customer's specific needs, communication between management and customers will have a positive outcome on customer satisfaction. According to Nelson and Chan (2005), employees' commitment to deliver quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits. Al-Marri *et al.* (2007) showed that customer satisfaction is significantly impacted by empathy. Based on this, the study developed following hypotheses:

H_4: There is positive relationship between empathy and customer satisfactions.

III. Result and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's correlation coefficients have been computed and the results are presented in Table 2.

Table 2: Kendall's correlation matrix for the dependent and independent variables

(The table shows the Kendall's correlation coefficients of different dependent and independent variables. The correlation coefficients are based on the primary data collected from 25 sample banks. CS (customer satisfaction) is the dependent variable and T (tangible),R (reliability), RP(responsiveness), E (empathy) and A (assurance) are the independent variables).

Variables	Mean	SD	T	R	RP	E	A	CS
T	1.957	0.534	1.000					
R	2.059	0.647	0.368**	1.000				
RP	2.118	0.644	0.478**	0.579**	1.000			
E	2.529	0.647	0.368**	1.000**	0.579**	1.000		
A	2.416	0.587	0.328**	0.627**	0.538**	0.627**	1.000	
CS	1.943	0.650	0.415**	0.611**	0.445**	0.611**	0.549**	1.000

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The result shows that tangibility and reliability is positively related to customer satisfaction. This indicates that higher tangibility and reliability leads to higher in customer satisfaction. Similarly, responsiveness and empathy is positively related to customer satisfaction which indicates that higher responsiveness and empathy leads to higher in customer satisfaction. The result also shows that assurance is positively related to customer satisfaction. This indicates that higher assurance leads to higher in customer satisfaction.

Regression analysis

Having indicated the Kendall's correlation coefficient, the regression analysis has been carried out and the results are presented in Table 3. More specifically, the table shows the regression results of tangibility, reliability, responsiveness, assurance and empathy on customer satisfaction.

Table 3 shows that beta coefficients for service quality are positive with customer satisfaction which indicates that banks having better service quality would have higher customer satisfaction. The finding is similar to the findings of Konovsky and Pugh (1994). Likewise, the beta coefficients for tangibility are positive with customer satisfaction. It indicates that better the tangibility, higher would be the customer of satisfaction. The finding is consistent with the findings of Kagona *et al.* (2015). Similarly, the beta coefficients for reliability are positive with customer satisfaction. It indicates that higher the reliability, higher would be the customer satisfaction. The finding is similar to the findings of Baum &Devine (2007).

The result also shows that beta coefficient for responsiveness are positive which indicates better the service quality, higher would be the customer satisfaction. The finding is consistent with the findings of Iqbal *et al*. (2013). Furthermore, the beta coefficients for empathy are positive with customer satisfaction. It indicates that higher the empathy, higher would be the customer satisfaction. The beta coefficient for assurance are positive with customer satisfaction. It indicates that higher the assurance, higher would be the customer satisfaction.

Table 3: Regression result of tangibility, reliability, responsiveness, empathy, assurance and customer satisfaction of service qual;ity in Nepalese commercial banks.

(The results are based on 103 observations by using linear regression model. The model is $CS = \beta_0 + \beta_1 T + \beta_2 R + \beta_3 R + \beta_4 E + \beta_5 A + e$*: where, CP (customer satisfaction) dependent variables and T (tangibility), R (reliability), RP(responsiveness), E(empathy) and A(assurance) is independent variables).*

Model	Intercept	Regression coefficient of					Adj. R2	SEE	F
		T	RP	R	E	A			
1	0 .884 (3.799) **	0.618 (5.437) **					0 .219	0.684	29.565
2	0.834 (3.840)**		0 .591 (6.086)**				0.340	0.529	53.444
3	1.258 (7.612)**			0.428 (6.329)**			0.235	0.510	40.057
4	0.925 (6.270)**				0.576 (9.418)		0.408	0.449	88.698
5	0.272 (1.553)	.				0.856 (10.882)**	0.535	0 .473	118.407
6	0 .599 (2.510)*	0. 314 (2.205)*	0.412 (3.297)**				0 .288	0.665	21.661
7	0.287 (1.241)	0.358 (3.243)*		0.517 (5.543)**			0.396	0 .544	34.496
8	0.454 (2.087)*		0.292 (2.608)*	0 .476 (4.415)**			0.375	0.572	31.656
9	0.218 (1.149)		0 .075 (0.731)			0.806 (7.733)**	0.533	0.497	59.198
10	0.159 (0.857)		0.017 (0.171)		0 .919 (8.391)**		0.562	0.474	66.455

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

IV. Summary and conclusion

In today's challenging economy and competitive business world, customer satisfaction is critical to organization success. If they don't give their customers some good reason to stay, organization competitors will give them a reason to leave. Customer satisfaction drives profit. There is growing number of customer increasing aware of the option offered in relation to the raising standard of service that have added challenges. In the modern customer's centric competitive area, satisfaction service quality proves to the key factor. The higher service quality, the more satisfied and loyal are the customers. Customer satisfaction has found to be an important mediator between perceived service quality and customer satisfaction.

The study attempts to examine the impact of service quality on customer satisfaction in Nepalese commercial banks. This study is based on the primary data which were gathered from 103 respondents of 25 commercial banks of Nepal. The variables that examine the impact of service quality on customer satisfaction of Nepalese commercial banks are tangibility, reliability, responsiveness, empathy and assurance.

The study shows that tangibility and reliability has positive and significant impact on customer satisfaction. It indicates that better the tangibility and reliability, higher would be the customer satisfaction. Similarly, assurance has positive and significant impact on customer satisfaction. It indicates that better the assurance, higher would be the customer satisfaction.

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Nepalese
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Merger and acquisition: The employee perspective

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Abstract

This study examines the impact of merger and acquisition on employee performance and commitment of Nepalese commercial banks. Employee performance and employee commitment are the dependent variables. The independent variables are job security, sense of ownership/belonging, pay/remuneration, chain of command and employee motivation. The primary source of data is used to assess the opinions of the respondents regarding various merger and acquisition factors, employee job performance and employee job commitment in Nepalese commercial banks. The study is based on 175 respondents from 10 Nepalese commercial banks. To achieve the purpose of the study, structured questionnaire is prepared. The regression models are estimated to test the relationship and importance of selected factors on the employee performance and commitment in Nepalese commercial banks.

The result shows that job security is positively related to employee performance which indicates that more secure the job, higher would be the employee performance. Likewise, sense of ownership/belonging is positively related to employee performance which means increase in the sense of ownership/belonging leads to increase in employee performance. Similarly, pay/remuneration is positively related to employee performance. It indicates that better the pay/remuneration, higher would be employee performance. The result also shows positive relationship of chain of command with employee performance which indicates that increase in the level of chain of command leads to increase in employee performance. Likewise, employee motivation is positively related to employee performance which indicates that higher the employee motivation, higher would be the employee performance. Similarly, pay/remuneration is positively related to employee commitment. It indicates that better the pay/remuneration, higher would be employee commitment. The result also shows positive relationship of chain of command with employee commitment which indicates that increase in the level of chain of command leads to increase in employee commitment. Likewise, employee motivation is positively related to employee commitment which indicates that higher the employee motivation, higher would be the employee commitment. The regression results show that beta coefficients for pay/remuneration and employee motivation are positive with employee performance. The results also show that beta coefficient for job security, chain of command and employee motivation are positive with employee commitment in the context of Nepalese commercial banks.

Keywords: *Merger and acquisition, job security, pay, chain of command, employee motivation, employee performance.*

I. Introduction

Merger and acquisitions (M&A) have become a key part of many corporate growth strategies. Banks are involved in M&A in order to reduce risks and increase returns and geographic diversification, which are expanding operations into multiple locations used to obtain greater market power. Banks merge with other banks that have branch locations in multiple states in order to reach a larger customer base. The anticipated benefits are less competition and increased profits for the resultant bank. The corporate diversification strategy has led to an increase in bank M&A. However, M&A transactions often fail to achieve their intended purposes of increasing profits and market share (Cocheo, 2008; and Rosta, 2008). Behavior of employees affected by M&A's may critically affect whether M&A's are ultimately successful (Appelbaum *et al*., 2007; Schreyogg, 2006; Dick *et al*., 2004).

Merger and acquisition often prove to be traumatic for the employees of acquired firms. The impact can range from anger to depression (Ashkensas *et al.,* 1998). This may result in high turnover, decrease in morale, motivation, productivity and consequently, merger failure. The other issues in the merger and acquisition activity are the changes in human resource policies, downsizing, layoffs, survivor syndrome, stress on the workers, and information system issues. According to Pande and Krishnan (1998), the human resource (HR) system issue that becomes important in merger activity are human resource planning, compensation, selection and turnover, performance appraisal system, employee development and employee relations.

Sanda and Adjei-Benin (2011) examined the degree to which employees' satisfaction with merger-induced organizational changes impact on their productivity and the merged-firm performance. The results showed that human resource issues are important aspects of mergers which, if it is not well handled, may impact negatively on employee satisfaction with consequent repercussions on productivity and the success of the merger. The study also concluded that employee satisfaction to merger-induced organizational changes could be enhanced by instituting effective two way communication system and using participatory approaches in job redesign processes. Similarly, Goyal and Joshi (2012) attempted to measure the level of stress of the erstwhile Bank of Rajasthan employees after merger in ICICI Bank Limited. The study revealed that mergers and acquisitions are inevitable phenomena in banks so as stress management. Whenever changes in organization take place employees are supposed to adopt them. In this process, if changes are not managed properly than they may cause stress among bank employees.

Greenberg (1987) noted that during the transitional period of a merger process, employees may pay close attention to how decisions are made and how they (employees) are treated in terms of both procedural and distributive unfairness. Though deliberations on mergers are often confined to top management of the merging firms, snippets of related information may leak down the organizational hierarchy to the lowest employees' level, resulting in possible rumors and speculations regarding various merger scenarios which could make employees become uncertain and anxious about their futures (Buono and Bowditch, 1989). As a consequence,

the level of employee anxiety may reach the highest level once a merger becomes a reality. Marks and Mirvis (1992) explained that such increased anxiety is likely to push employees to be preoccupied with the repercussions of the merger on their jobs, livelihoods, and careers. This is because employees' perception of unfairness in the merger process could negatively affect their satisfaction, commitment, trust, and consequently, their intention to stay in the new organization that emerges (Dailey and Kirk, 1992; McFarlin and Sweeney, 1992).

Each organization has a different set of believe and value system, which may clash owing to merger activity. The exposure to a new culture during merger leads to a psychological state called culture shock. According to Pande and Krishnan (1998), the employees of the merged organizations not only need to abandon their own culture, values and belief but also have to accept an entirely different culture. This exposure challenges the old organizational value system and practices leading to stress among the employees. Astrachan (2004) concluded that employees who remain in an organization undergoing a merger may feel betrayed by their leaders, and their negative feelings may result in a drastic change in their work patterns. Organizations should evaluate the performance of the employees to determine whether they provide a rigorous identification of talent, effectively evaluate behavioral and professional competency development, and appropriately recognize achievements (McWilliams *et al.*, 2005).

Buono and Bowditch (1989) had noted, cultural and psychological integration takes a longer time to be attained, and therefore employees caught up in a merger might require more time to be able to undergo appreciable cultural adjustment. The consequence of employees questioning the fairness of their new organizational structure is that they may end up distrusting the actions of those managing the newly merged organization. Once such employee distrust is developed, it may be difficult to re-establish it (Dailey and Kirk, 1992; McFarlin and Sweeney, 1992). Schweiger and Ivancevich (1985) assessed the human factor in merger and acquisition and identified some common merger stressors, which include uncertainty, insecurity, and fears concerning job loss, job changes, compensation changes, and changes in power, status, and prestige. Mergers and acquisitions are corporate events that have the potential to create severe personal trauma and stress which can result in psychological, behavioural, health, performance, and survival problems for both the individuals and companies involved (Schweiger and Weber, 1989).

According to Covin *et al*. (1997), target-firm employees reported significantly higher levels of dissatisfaction with the merger than the acquiring employees. Employees join the bank after mergers are very satisfied with their job security and they are fully motivated because they don't have any threat and this has increased their level of motivation (Naveed *et al.,* 2011). Employee morale is directly associated with employee retention because the employees who feel a high level of job satisfaction tend to remain and work for the organization (Vasantham, 2014). Most of the times merger and acquisition are the only way to acquire resources and knowledge that are not available in the market (Zahra *et al.,* 2000). Firms undertake merger and acquisition for different reasons. Bradley *et al* (1988) and Seth *et al.* (2000) suggested that a major driver of merger and acquisition is the exploitation of synergies between

the value chains of the firms involved.

Cartwright and Cooper (1993) assessed the human aspects of merger and acquisition and the impact of such a major change event has on employee health and well being. The study used sample size of 157 middle managers involved in the merger of two U.K. Building Societies. The study found that Post-merger measures of mental health to be a stressful life event, even when there is a high degree of cultural compatibility between the partnering organizations. Panchal and Cartwright (2001) investigated post-merger stress in a sample of field sales employees. The results revealed that group differences in both sources and effects of stress existed.

According to Buono and Bowditch (2003), there is a relationship between employee attitude and a number of work related behavior such as turnover, absenteeism, tardiness, strikes and grievances, and quality of job performance. The study concluded that a merger or acquisition is ultimately a human process. Similarly, Khattak *et al*. (2011) examined the occupational stress in the banking sector of Pakistan. A total of 237 bank employees from different commercial banks participated in the survey. The results revealed the potential stressors like workload, working hours, technological problem at work, inadequate salary, time for family and job worries at home were the significant sources of stress in the banking sector.

In context of Nepal, merger and acquisition process got a pace and gradually the number of banking institutions reduced after Nepal Rastra Bank come up with the rule of increasing the paid up capital to Rs. 8 billion for commercial banks. Shrestha and Subedi (2014) concluded that merged financial institutions in Nepal should always be alert to face the risk of "too big to fail". NEPSE (Nepal Stock Exchange) reported that there is the fall in number of commercial banks in NEPSE. It is estimated that among all of mergers since 2011, only around 25% of mergers have succeeded while half of them have share price below the face value of Nepal Stock Exchange (Kafle, 2012). Gautam (2016) revealed that employees' issues are the most important aspects of merger and acquisition process which, if not handled well, may negatively impact employee satisfaction and switching intention.

The above discussion reveals that there is no consistency in the findings of various studies concerning employee perspective on merger and acquisition.

The main purpose of the study is to analyze the impact of merger and acquisition on employee performance and commitment of Nepalese commercial banks. Specifically, it examines the impact of merger and acquisition, job security, ownership/belonging, pay/remuneration, chain of command, employee motivation, company policy on employee performance and commitment of Nepalese commercial banks.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final sections draws conclusion and discusses the implications of the study findings.

II. Methodological aspects

The study is based on the primary data which were gathered from 175 respondents of 10 Nepalese commercial banks. The respondent's views were collected on job security, ownership/belonging, pay/remuneration, chain of command, company policy/employee motivation, employee performance and employee commitment.

Table 1 shows the list of sample commercial banks along with the number of respondents selected for the study.

Table 1: Number of the commercial banks selected for the study along with the number of observations

S.N.	Name of merged commercial banks	No. of observation
1	Prabhu Bank Limited	20
2	Global IME Bank Limited	15
3	NIC Asia Bank Limited	20
4	Bank of Kathmandu Limited	20
5	Kumari Bank Limited	20
6	Janata Bank Nepal Limited	15
7	NCC Bank Limited	15
8	NMB Bank Limited	15
9	Civil Bank Limited	15
10	Mega Bank Nepal Limited	20
Total observations		**175**

Thus, the study is based on 175 observations.

The model

The model estimated in this study assumes that the employee performance and employee commitmnent depends on different factors. Moreover, the various factors affecting the employee performance and employee commitmnent are job security, ownership/belonging, pay/remuneration, chain of command, company policy and employee motivation. Therefore, the model takes the following form.

Model 1:

$$EP = \beta_0 + \beta_1 JS + \beta_2 SO + \beta_3 PAY + \beta_4 COC + \beta_5 EM + \varepsilon$$

Model 2:

$$EC = \beta_0 + \beta_1 JS + \beta_2 SO + \beta_3 PAY + \beta_4 COC + \beta_5 EM + \varepsilon$$

Where,

EP = Employee performance is defined as the contribution of employees to attain organizational goals.

EC = Employee commitment is defined as psychological attachment of employees towards their workplace.

JS= Job security refers the probability that an individual will keep his or her job.

SO= Sense of ownership and belonging is the employees' feeling as being part of the team members that they have played a key role in formulating and implementing an idea in an organization.

PAY= Pay/remuneration is the payment or compensation received for services or employment.

COC= Chain of command is the order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization.

EM= Employee motivation is defined as energy in people to be continually interested and committed towards the job.

The following section describes the independent variables used in this study.

Job security

Job security refers the probability that an individual will keep his or her job. Employees working at pre and post-mergers and acquisitions environment feel a strong threat to their job security. Ashford *et al.* (1989) found empirically that the greater the number of changes in an organization, the greater the perceived job insecurity by the employees. Aliyu (2013) revealed positive relationship between job satisfaction and job security after the merger and acquisition. Employees are satisfied with their jobs after merger and acquisition due to job security (Zeytinoglu *et al.*, 2012). Schuler *et al.* (2004) reported that as job security increases, employees are able to meet the demands and objectives of their everyday duties. Based on it, this study develops the following hypothesis:

H_1: There is positive relationship of job security with employee performance and commitment.

Ownership/belonging

Mergers and acquisitions transfer the wealth from workers to shareholders. This occurs because acquirers do not honor implicit contracts with employees concerning wages and benefits (Jovanovic and Rousseau, 2002). During mergers and acquisitions activity, rumor mills are overly active, leading to more anxiety and counterproductive behaviors (Buono and Bowditch, 1989). High involvement of the employees and the outcome being the combine efforts of the team helps to increase the performance (Covin, 1997). Hitt *et al.* (1990) found that if employees are the owner of the organization in the forms of shares and equity capital they are likely to stay in organization after merger and acquisition and help to push organization to a better one by enhancing their performance. Based on it, this study develops the following hypothesis:

H_2: There is positive relationship of ownership/belonging with employee performance and commitment.

Pay/Remuneration

Companies want to believe and make employees believe that providing retention incentives to employees is enough in the combined organization for them to stay.

Mergers and acquisitions mostly lead to downsizing or even mass layoffs which alleged to have a negative impact on workers who are fired or those who remain with the firm in the aftermath of the layoff (Brockner et al., 1987).Wright (1992) explained pay/remuneration is seen by individuals as a goal in itself, as a means of giving satisfaction and as a symbol of (internal) recognition or (external) status. Pay/remuneration motivates people to work harder or more effectively and improve their performance (Wanous, 1989). Pay/remuneration was amongst a number of factors that affects the decision to leave or stay in the organization after merger and acquisition, because working in changed setting needs motivation and pay/remuneration has certain level to motivate and work efficiently in a new setting (Locke et al., 1988). Based on it, this study develops the following hypothesis:

H_3: There is positive relationship of pay/remuneration with employee performance and commitment.

Chain of command

Employees are often required to take on additional workloads after mergers and acquisitions. Schweiger and Denisi (1991) suggested that realistic communication during a merger process can help the employees get through the process, as illustrated by the significantly lower measures on global stress and perceived uncertainty and significantly higher on job satisfaction, commitment and self-reported. Jensen (2009) concluded that better chain of command will tend to gain employee understanding and commitment of the employees. Katz *et al.* (1950) found that participation and involvement of management/supervisor leadership have positive influence on the job satisfaction and employee performance. Yukl (2002) revealed that staff-related tasks like delegating, informing and communicating are positively correlated to job satisfaction and employee performance. Based on it, this study develops the following hypothesis:

H_4: There is positive relationship of chain of command with employee performance and commitment.

Employee motivation

Motivation means the willingness of an individual to do efforts and take action towards organizational goals. The motivational factors enhance the employee performance as well as organizational performance (Murray *et al.,* 2003). Kuvaas (2006) revealed that motivation has strong positive influence on employee performance and job satisfaction. Similarly, Adeoye and Elegunde (2007) stated that there exists a positive and significant relationship between extrinsic motivation and employee performance. Likewise, Nadia (2011) identified that there is positive relationship between work motivation and job satisfaction. Based on it, the study develops the following hypothesis:

H_5: There is positive relationship of employee motivation with employee performance and commitment.

III. Results and discussion

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose Kendall's Tau correlation coefficients have been computed and the results are presented in Table 2.

Table 2: Kendall's Tau correlation matrix for the dependent and independent variables for selected merged and acquired Nepalese commercial banks

This table presents the Kendall's Tau correlation coefficients between dependent and independent variables. EP (employee performance is the contribution of employees to attain organizational goals), EC (employee commitment is defined as psychological attachment of employees towards their workplace) are the dependent variables. The independent variables are JS (Job security refers to the probability that an individual will keep his or her job), SO (sense of ownership/belonging is the employees' feeling as being part of the team members that they have played a key role in formulating and implementing an idea in an organization), PAY (pay/remuneration is the payment or compensation received for services or employment), COC (chain of command is the order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization) and EM (employee motivation is defined as energy in people to be continually interested and committed towards the job).

Variables	Mean	S.D.	JS	SO	PAY	COC	EM	EP	EC
JS	3.970	0.486	1						
SO	4.041	0.492	0.479**	1					
PAY	3.943	0.454	0.212**	0.206**	1				
COC	3.985	0.458	0.512**	0.474**	0.216**	1			
CP	4.111	0.437	0.308**	0.381**	0.250**	0.331**	1		
EP	3.899	0.514	0.005	0.016	0.419**	0.050	0.251**	1	
EC	2.974	0.678	0.030	0.098	0.226**	0.020	0.137*	0.340**	1

Notes: The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level of significance respectively.

The result shows that job security is positively related to employee performance which indicates that more secure the job, higher would be the employee performance. Likewise, sense of ownership/belonging is positively related to employee performance which means increase in the sense of ownership/belonging leads to increase in employee performance. Similarly, pay/remuneration is positively related to employee performance. It indicates that better the pay/remuneration, higher would be employee performance. The result also shows positive relationship of chain of command with employee performance which indicates that increase in the level of chain of command leads to increase in employee performance. Likewise, employee motivation is positively related to employee performance which indicates that higher the employee motivation, higher would be the employee performance.

The result also shows that job security is positively related to employee commitment which indicates that more secure the job, higher would be the employee commitment. Likewise, sense of ownership/belonging is positively related to employee commitment which means increase in the sense of ownership/belonging leads to increase in employee commitment. Similarly, pay/remuneration is positively

related to employee commitment. It indicates that better the pay/remuneration, higher would be employee commitment. The result also shows positive relationship of chain of command with employee commitment which indicates that increase in the level of chain of command leads to increase in employee commitment. Likewise, employee motivation is positively related to employee commitment which indicates that higher the employee motivation, higher would be the employee commitment.

Regression analysis

Having indicated the Kendall's Tau correlation coefficients, the regression analysis has been carried out and the results are presented in Table 3. More specifically, it presents the regression results of job security, ownership/belonging, pay/ remuneration, chain of command and company policy/employee motivation on employee performance of Nepalese commercial banks.

Table 3: Estimated regression results of job security, ownership/belonging, pay/ remuneration, chain of command and employee motivation on employee performance

The results are based on 175 observations by using linear regression model. The model is $EP = \beta_0 + \beta_1 JS + \beta_2 SO + \beta_3 PAY + \beta_4 COC + \beta_5 EM + \varepsilon$ *where, EP (employee performance is the contribution of employees to attain organizational goals) is the dependent variables. The independent variables are JS (Job security refers the probability that an individual will keep his or her job), SO (sense of ownership/ belonging is the employees' feeling as being part of the team members that they have played a key role in formulating and implementing an idea in an organization), PAY (pay/remuneration is the payment or compensation received for services or employment), COC (chain of command is the order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization) and EM (employee motivation is defined as energy in people to be continually interested and committed towards the job).*

Model	Intercept	Regression coefficients of					Adj. R_bar^2	SEE	F-value
		JS	SO	PAY	COC	EM			
1	4.021 (12.523)**	0.132 (2.402)*					0.135	0.515	7.167
2	4.243 (13.169)**		0.085 1.076				0.033	0.515	3.154
3	1.734 (5.798)**			0.555 (7.349)**			0.231	0.458	53.356
4	4.041 (11.812)**				0.036 (0.424)		0.024	0.515	2.189
5	3.423 (9.357)**					0.113 (2.312)*	0.114	0.515	5.712
6	2.321 (6.735)**	0.237 (3.198)**		0.639 (8.136)**			0.278	0.434	33.217
7	2.422 (6.894)**		0.246 (3.476)**	0.634 (8.246)**			0.278	0.434	34.431
8	2.418 (6.884)**	0.134 (1.421)		0.654 (8.297)**	0.159 (1.468)		0.276	0.434	23.181
9	2.431 (6.218)**	0.097 (0.941)	0.173 (1.845)	0.632 (8.084)**	0.123 (1.135)	0.132 1.361	0.289	0.434	14.815

Notes:

i. *Figures in parentheses are t-values.*

ii. *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*

iii. *Dependent variable is employee performance.*

Table 3 shows the beta coefficients for pay/remuneration are positive with employee performance. It indicates that there is a positive impact of pay/remuneration on employee job performance. This finding is consistent with the findings of Heneman and Judge (2000). Similarly, the beta coefficients for job security are positive with employee performance. It reveals that job security has positive impact on employee performance. This finding is similar to the findings of Buono and Bowditch (1989). Likewise, the beta coefficients for employee motivation are positive with employee job performance. It indicates that there is a positive impact of employee motivation on employee job performance. This finding is similar to the findings of Poutsma (2001).

Table 4 presents estimated regression results of job security, ownership/belonging, pay/remuneration, chain of command and employee motivation on employee commitment of Nepalese commercial banks.

Table 4: Estimated regression results of job security, ownership/belonging, pay/remuneration, chain of command and employee motivation on employee commitment

The results are based on 175 observations by using linear regression model. The model is EC = $\beta_0 + \beta_1 JS + \beta_2 SO + \beta_3 PAY + \beta_4 COC + \beta_5 EM + \varepsilon$ where, EC (employee commitment is defined as psychological attachment of employees towards their workplace) is the dependent variable. The independent variables are JS (Job security refers the probability that an individual will keep his or her job), SO (sense of ownership/belonging is the employees' feeling as being part of the team members that they have played a key role in formulating and implementing an idea in an organization), PAY (pay/remuneration is the payment or compensation received for services or employment), COC (chain of command is the order in which authority and power in an organization is wielded and delegated from top management to every employee at every level of the organization) and EM (employee motivation is defined as energy in people to be continually interested and committed towards the job).

Model	Intercept	Regression coefficients of					Adj. R_bar^2	SEE	F-value
		JS	OWN	PAY	COC	EM			
1	2.681 (6.332)**	0.271 (2.682)**					0.173	0.678	9.468
2	2.401 (5.66)**		0.146 (2.352)*				0.105	0.678	6.824
3	1.265 (2.923)**			0.434 (3.998)**			0.279	0.654	15.921
4	2.578 (5.742)**				0.101 (0.893)		0.031	0.678	0.842
5	2.235 (4.623)**					0.174 (1.527)	0.028	0.678	2.334
6	2.569 (5.386)**	0.114 (2.067)*			0.093 (0.584)		0.217	0.682	7.412
7	1.164 (2.223)*		0.139 (2.314)*	0.423 (3.734)**			0.274	0.654	11.963
8	1.134 (1.978)*		0.121 (2.198)*	0.427 (3.599)**		0.025 (0.151)	0.269	0.654	17.298
9	1.134 (1.978)*		0.123 (2.197)*	0.425 (3.596)**		0.029 (0.156)	0.369	0.654	25.298

Notes:

i. *Figures in parentheses are t-values.*

ii. *The asterisk signs (**) and (*) indicate that the results are significant at 1 percent and 5 percent level respectively.*

iii. *Dependent variable is employee commitment.*

Table 4 shows the beta coefficients for sense of belonging are positive with employee commitment. It indicates that there is a positive impact of sense of belonging on employee commitment. This finding is consistent with the findings of Heneman and Judge (2000). The result also shows the beta coefficients for pay/remuneration are positive with employee commitment. It indicates that there is a positive impact of pay/remuneration on employee commitment. This finding is consistent with the findings of Heneman and Judge (2000). Similarly, the beta coefficients for job security are positive with employee commitment. It reveals that job security has positive impact on employee commitment. This finding is similar to the findings of Buono and Bowditch (1989). Likewise, the beta coefficients for employee motivation are positive with employee commitment. It indicates that there is a positive impact of employee motivation on employee commitment. This finding is similar to the findings of Poutsma (2001).

IV. Summary and conclusion

Merger and acquisition provide access to resources which would enable the company to compete on a global scale. There are both positive and negative perception of the employee towards the impact of merger and acquisition in an organization. Employee performance and commitment after merger and acquisition depends on the factors such as job security, sense of ownership/belonging, pay/remuneration, chain of command, company policy and employee motivation.

The study attempts to examine the impact of merger and acquisition on employee performance. The study is based on primary sources of the data of 10 merged and acquired commercial banks of Nepal with 175 observations.

The result shows that job security, ownership/belonging, pay/remuneration, chain of command and employee motivation have positive impact on employee commitment of Nepalese commercial banks. Similarly, the result also shows that job security, ownership/belonging, pay/remuneration, chain of command and employee motivation on employee performance. The study concludes that there is a positive impact of merger and acquisition on employee performance in the context of Nepalese commercial banks. The study also concludes that the most influencing factor to determine the employee performance and commitment is pay followed by job security employee motivation and sense of belonging.

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Effect of bank regulations and competition on performance of Nepalese commercial banks

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Abstract

This study examines the effect of bank regulations and competition on the performance of Nepalese commercial banks. Price-earnings ratio and market price per share are the dependent variables. The independent variables are capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, number of branches, bank age, money supply growth, inflation, and ownership structure. This study is based on secondary data of 17 Nepalese commercial banks through 2008/09 to 2015/16, leading to a total of 136 observations. The data are collected from the Banking and Financial Statistics, Quarterly Economic Bulletin, and Bank Supervision Report published by Nepal Rastra Bank and annual reports of the selected Nepalese commercial banks. The regression models are estimated to test the significance and effect of bank regulations and competition on the performance of Nepalese commercial banks.

The study shows that the market share, number of branches, bank age, money supply, and ownership structure are positively related to MPS and P/E. It indicates that increase in market share, number of branches, bank age, money supply, and ownership structure leads to increase in MPS and P/E. However, the result shows that cash reserve ratio, credit to deposit ratio, and inflation have a negative relationship with MPS and P/E. This indicates that increase in cash reserve ratio, credit to deposit ratio, and inflation leads to decrease in MPS and P/E ratio. Likewise, the study shows that capital adequacy ratio has a negative relationship with MPS. It reveals that increase in capital adequacy ratio leads to decrease in MPS. However, the result reveals that capital adequacy ratio is positively related to the P/E ratio. The regression results also show that beta coefficients are positive for market share, a number of branches, bank age, money supply, and ownership structure for MPS and P/E ratio whereas beta coefficients are negative for cash reserve ratio, credit to deposit ratio, and inflation. However, coefficients are significant only for cash reserve ratio, and money supply at 5 percent level of significance.

Keywords: *Bank profitability, capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, and ownership structure.*

I. Introduction

Banks are important in providing external and internal sources to a country by issuing loans to individuals and companies. When banks fail, the financial status of a country will be distressed and become economically unstable. Therefore, bank regulations and competition among banks are necessary to preserve the stability of the banking system. According to Bernanke (1983), banks have a pivotal position in

the economy as banks are the only source of finance for a large number of borrowers.

Regulation refers to the set of laws and rules applicable to banking (Barth *et al*., 2003). Bank regulation originated from the objective of banks as intermediaries – as mediators or negotiators between two parties (borrowers and depositors) (Okezie *et al*., 2011). Thus, banks are comprised of functions which are based on the terms of the balance sheet items – assets (loans) and liabilities (depositors). The banks gain assets by providing and issuing bank assets to borrowers and balancing the assets through liabilities provided by depositors. However, when a bank run or bank failure happens, the depositors lose their funds due to the insolvency of the banks. Thus, one of the regulatory structures is to protect banks from failure (Diamond and Dybvig, 1986).

Barth *et al.* (2003) found that greater regulatory restrictions are associated with a higher probability of a country suffering a major banking crisis and lower banking-sector efficiency. The findings showed that no countervailing positive effects from restricting banking-sector activities. Regulatory restrictions were not closely associated with less concentration and more competition in either the banking or industrial sector, and also were not closely linked with securities-market development. Benston (1992) argued that traditional approach to bank regulation emphasize the positive features of capital adequacy requirements. Capital or net worth serves as a buffer against losses and hence the failure. Furthermore, with limited liability, the proclivity for bank owners to shift toward higher risk activities decreases with the amount of capital at risk relative to assets, and official capital adequacy regulations play a crucial role in aligning the incentives of bank owners with depositors and other creditors. Bank regulation has stemmed from Stigler (1971)'s economic theory of regulation which emphasized on the total control of economic activities by the government. However, this mode of regulation hinders the economic growth of the country. Regulation is favored so as to provide stability in the banking system and meet up to its requirements of a high solvency and liquidity level.

According to Marcus (1984), more concentrated and less competitive banking systems are more stable, as profits provide a buffer against fragility and provide incentives against excessive risk takings. Similarly, in a more competitive environment with more pressures on profits, the banks have higher incentives to take more excessive risks with resulting in higher fragility. More concentration and less competition can have positive repercussions for liability risk. Smith (1984) showed that less competition in banking leads to more stability if information about the probability distribution of depositors' liquidity needs is private and lower competition allows banking relationships to endure for longer periods. However, Matutes and Vives (1996) argued that concentration is not a consistent signal of competition, so that bank illiquidity can arise in market structure.

Allen and Gale (2004) concluded that perfect competition can prevent banks to provide liquidity to a peer that is hit by a temporary liquidity shortage. The study concluded that if all banks are price takers, no banks have incentive to provide liquidity to the troubled bank, with the result that this bank will eventually fail with negative repercussions for the whole sector. However, Saez and Shi (2004) showed that a limited number of banks can cooperate and acts strategically and help a bank

with temporary liquidity shortages.

Claessens and Laeven (2004) found no supportive empirical evidence for the intuitively anticipated inverse relationship between concentration and competition. Moreover, relying on concentration as a measure of bank competition gives rise to misleading inferences and measurement problems since concentration measures such as the Herfindahl-Hirschman Index and the *k* bank concentration ratio tend to exaggerate the level of competition in small countries and are increasingly unreliable when the number of banks is small (Bikker, 2002).

using a more refined measure of competition in the banking market – the H-Statistics, Schaeck *et al.* (2006) found a negative relationship between bank competition and systemic bank fragility. The study showed that more competitive banking systems are less prone to systemic distress. Schaeck and Cihak (2007) revealed capitalization as one of the channels through which competition fosters stability. Utilizing data for more than 2,600 European banks, they show that banks have higher capital ratios in more competitive environments.

Bikker (2002) concluded that concentration may have an impact on competition and that increasing the size of financial firms has substantial bearing on financial stability. Claessens and Laeven (2004) showed that foreign bank participation is an important dimension of competition in the banking system. Numerous studies have shown that foreign bank participation has contributed to rather than weakened financial sector stability, as often feared by policymakers in developing countries. With heterogeneous borrowers' tough competition may lead to a riskier portfolio of banks and higher failure probabilities because more rivalry may reduce incentives to screen borrowers (Allen and Gale, 2004).

In the context of Nepal, Pradhan and Gajurel (2010) concluded that banking efficiency increases the market competition and performance of banks. Therefore, the banks should utilize their managerial capacity in order to increase bank performance and competition in the banking sector. Pradhan (2014) found a positive relationship between market share and bank performance in Nepal. Udas (2007) argued that NRB directives of capital adequacy on the various aspects of the commercial banks helped in maintaining the stability of commercial banks in the financial market and to uplift the banking sector in Nepal to international standard. Sedhain (2012) concluded that capital adequacy has helped in developing suitable prudential norms to save the banks and financial institutions from financial crisis and signals of failure.

The above discussion reveals that there is no consistency in the findings of various studies concerning the effect of bank regulations and competition on the performance of the Nepalese commercial banks. Therefore, this study has been conducted to analyze the effect of bank regulations and competition on the performance of Nepalese commercial banks. Specifically, it examines the effect of capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, number of branches, bank age, money supply, inflation, and ownership structure on the performance of Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data, and methodology. Section three presents the empirical results and the final section draws conclusions and discusses the implications of the study findings.

II. Methodological aspects

This study is based on secondary sources of data, which were gathered for 17 commercial banks in Nepal for the period of 2008/09 to 2015/16, leading to a total of 136 observations. The main sources of data are Banking and Financial Statistics, Quarterly Economic Bulletin and Bank Supervision Report published by Nepal Rastra Bank and annual reports of the selected Nepalese commercial banks. Table 1 shows the list of the sample banks along with study period and number of observations.

Table 1: Number of commercial banks selected for the study along with the study period and number of observations

S. No.	Name of the banks	Study period	Observations
1	Nepal SBI Bank Limited	2008/09-2015/16	8
2	Standard Chartered Bank Limited	2008/09-2015/16	8
3	Nepal Bangladesh Bank Limited	2008/09-2015/16	8
4	Everest Bank Limited	2008/09-2015/16	8
5	Himalayan Bank Limited	2008/09-2015/16	8
6	Nabil Bank Limited	2008/09-2015/16	8
7	Prime Commercial Bank Limited	2008/09-2015/16	8
8	Nepal Investment Bank Limited	2008/09-2015/16	8
9	Laxmi Bank Limited	2008/09-2015/16	8
10	Siddhartha Bank Limited	2008/09-2015/16	8
11	Kumari Bank Limited	2008/09-2015/16	8
12	Machhapuchre Bank Limited	2008/09-2015/16	8
13	Sunrise Bank Limited	2008/09-2015/16	8
14	Sanima Bank Limited	2008/09-2015/16	8
15	Nepal Credit and Commerce Bank Limited	2008/09-2015/16	8
16	Citizens International Bank Limited	2008/09-2015/16	8
17	NMB Bank Limited	2008/09-2015/16	8
	Total number of observations		136

Thus, the study is based on the 136 observations.

The model

The study assumes that bank regulation and competition depend on capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, number of branches, and bank age and control variables like money supply, inflation, and ownership structure. Therefore, the model used in this study takes the following form:

Bank performance = *f* (capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, number of branches, bank age, money supply, inflation, and ownership structure)

More specifically,

$P/E_{it} = \alpha_{it} + \beta_1 CAR_{it} + \beta_2 CRR_{it} + \beta_3 CDR_{it} + \beta_4 MSH_{it} + \beta_5 NBH_{it} + \beta_6 AGE_{it} + +\beta_7 M2_t + \beta_8 INF_t + \beta_9 OS_{it} + e_{it}$

$MPS_{it} = \alpha_{it} + \beta_1 CAR_{it} + \beta_2 CRR_{it} + \beta_3 CDR_{it} + \beta_4 MSH_{it} + \beta_5 NBH_{it} + \beta_6 AGE_{it} + +\beta_7 M2_t + \beta_8 INF_t + \beta_9 OS_{it} + e_{it}$

Where,

P/E = Price earnings ratio defined as market value per share to earnings per share.

MPS = Marker price per share defined as the closing price of the stock at the end of the year.

CAR = Capital adequacy ratio defined as capital to risk-weighted assets.

CRR = Cash reserve ratio defined as balance with NRB to total deposits.

CDR = Credit to deposit ratio defined as total loans to total deposits.

MSH = Market share defined as a total asset of the bank over total assets of the industry.

NBH = Number of branches defined as a total number of bank branches.

AGE = Bank age defined as a total number of years a bank is operating.

M2 = Money supply defined as the broad money supply.

INF = Inflation defined as the change in consumer price index.

OS = Ownership structure defined as "1" if the bank is a foreign bank, and "0" otherwise.

Market price per share

Market price per share refers to the average price of the share traded in NEPSE of a particular company. In this study, this variable is defined as the closing price of the stock (at the end of the year). Beneratzi *et al.* (1997), Ofer and Siegel (1987), and Bae (l996) found a positive correlation between share price and performance of banks. According to Piotroski and Roulstone (2004), and Zahir and Khanna (1982), the change in stock price is a continuous process. However, when viewed over short periods, the relationship between share price, earnings, and dividends could be irrational.

Price-earnings ratio

Price-earnings ratio is measured as the ratio of market price per share to earnings per share (Chisholm, 2009). Generally, a high price-earnings ratio suggested that investors are expecting higher earnings growth in compared to firms with a lower price-earnings ratio. Trevino and Robertson (2002) found that current price-earnings ratios are useful in estimating long-term average stock returns. Fama and French (1992) revealed a positive association between performance and price-earnings ratio. According to Khan (2012), the price-earnings ratio is positively correlated to bank performance. Likewise, Fairfield (1994) revealed that price earnings ratio has a positive impact on bank profitability.

Capital adequacy ratio

Capital adequacy ratio is defined as equity-to-total assets ratio. The equity to total asset ratio is used to determine the financial health and long-term profitability of a corporation. Though, importantly the equity to total asset ratio should be used only with other financial ratios to determine a corporation's overall financial health. Demirguc-Kunt et al. (2004) found that there exists a positive relationship between capital and profitability of banks. Keeley and Furlong (1990), Berger and Udell (1994), Berger (1995), and Peltzman (1970) found a positive impact of capital requirement on bank performance. Capital adequacy ratio refers to the sufficiency of the amount of equity to absorb any shocks that the bank experience (Kosmidou, 2008). Moreover, there is evidence of a positive relationship between capital adequacy ratio and performance (Garcia, 2010). Whereas, Poudel (2012) and Dahal et al. (2017) found that capital adequacy ratio has an inverse impact on bank's performance. Bourke (1989) showed a positive impact of capital on bank performance. Based on it, the study develops the following hypothesis:

H_1: There is a positive relationship between capital adequacy ratio and bank performance.

Cash reserve ratio

Cash reserve ratio explains the relationship between the bank profitability and monetary policy instrument (Nwannebuikal, 2015). According to Abid and Lodhi (2015), there is a negative relationship between cash reserve ratio and profitability. Olokoyo (2011) found that higher the CRR, the lower would be the lending capacity of the banks. Olutoye and Emmanuel (2015) revealed that there is no significant relationship between cash reserve requirement and loans to small and medium-scale enterprises (SMEs). MacCarthy (2016) and Gupta (2017) found that there is a positive and significant impact of CRR on bank performance. However, Rao and Somaiya (2005), Punita and Somaiya (2006), Maddaloni and Peydro (2011), Pandey (2016), Yourougou (1990), Meshack and Nyamute (2016), Friedman and Schwart (1963), and Dhungana (2016) found a significant and inverse relationship between the CRR and the profitability. Based on it, the study develops the following hypothesis:

H_2: There is a negative relationship between cash reserve ratio and bank performance.

Credit to deposit ratio

CD ratio is the ratio of total credit to total deposit Shingjergji (2013) found that credit to deposit ratio is negative and significant with bank performance. Similarly, Swamy (2012) observed that credit to deposit ratio is negative and significant with performance. Malhotra and Kaur (1992) investigated the relationship between CD ratio and profitability and revealed that there was a positive and significant relationship between CD ratio and profitability. Sharifi and Akhter (2016) revealed that there is a positive relationship between CD ratio and performance. Al-Qudah and Jaradat (2013) found that there is a negative and significant relationship between ROE and total loans to total deposits. Based on it, the study develops the following hypothesis:

H_3: There is a negative relationship between credit to deposit ratio and bank performance.

Market share

A market share represents the total asset of a bank over total assets of the industry. Market share of total assets and market share of total deposit are a popular measure of market share. These two variables have been commonly employed as a proxy variable for market share (Llyod-Williams *et al*., 1994 and Molyneux and Thornton, 1994). Buzzell (2004) found that the majority of studies found a linear positive relationship between market share and financial performance. Among several studies, Gale (1972) and Buzzel *et al.* (1975) found a positive relationship between market share and profitability. O'Regan (2002) showed that firms with increased market share are likely to have higher performance. Based on it, the study develops the following hypothesis:

H_4: There is a positive relationship between market share and bank performance.

Number of branches

The number of branches can be defined as the total number of the branches of Nepalese commercial banks. Tulkens (1993) concluded that the private bank's branches are relatively less efficient than those of public banks. Williams (2007) found that a number of branches have a positive relation with banks performance in small economies. According to Olajide *et al*. (2011), there is a negative effect of increased number of bank's branches on bank performance. Uddin and Suzuki (2014) found a negative relationship between bank branches and bank performance. According to Park (2009) and Mason (1939), the performance of banks largely depends upon the structure of the market such as the number of bank branches and the market share of banks. Based on it, the study develops the following hypothesis:

H_5: There is a positive relationship between a number of branches and bank performance.

Bank age

Banks age is defined as a total number of years the bank is operating in the market. old aged firms get benefit from dynamic economies of scale and reputation in the market (Glancey, 1998). Gaur and Gupta (2011) found a positive relationship banks age and performance. Gutierrez and Tribo (2004) argued that younger firms are more difficult to monitor since there is no past record of performance. On the other hand, older firms present difficulty in adapting to changes, which lead to lower performance (Glancey, 1998). Similarly, larger firms are assumed to be less efficient because of the loss of control by top managers (Himmelberg *et al*., 1999). Lang and. Based on it, the study develops the following hypothesis:

H_6: There is a positive relationship between bank age and bank performance.

Money supply

Olofin and Afangideh (2008) found a positive relationship between money supply and bank performance. There is a positive and significant relationship between broad money supply growth and profitability (Al-Qudah and Jaradat, 2013). Oloni (2013) showed a positive relationship between broad money supply (M2) and economic growth. The study suggested that there is a positive and significant relationship between profitability and money supply. Moreover, Babatunde and Shuaibu (2011)

and Osamwonyi and Micheal (2014) also found the positive and significant impact of broad money supply on the bank performance. Based on it, the study develops the following hypothesis:

H_7: There is a positive relationship between money supply and banks performance.

Inflation rate

Derbali (2011) found a positive relationship between inflation and banks performance. Hoffmann (2011) stated that inflation negatively affects the performance of commercial banks. Molyneux and Thornton (1995) revealed a positive link between inflation and financial performance. According to Azam and Siddiqui (2012), inflation is significantly and negatively related to the profitability of domestic banks, but it is positively related in the case of foreign commercial banks. Boyd *et al.* (2001) found that inflation is negatively associated with financial performance. Based on it, this study develops the following hypothesis:

H_8: There is a negative relationship between inflation and bank performance.

Ownership structure

Ownership structure has been defined as the foreign ownership and domestic ownership. It is found that the influence of foreign ownership has been quite significant on bank performance. Foreign ownership is expected to improve the performance of the company. The institution of these stringent control mechanisms leads to higher firm performance (Stulz, 1999). It is accepted that foreign ownership plays a crucial role in a bank's performance, particularly in developing and transitional economies (Greenway, 2004). Clarke *et al.* (1999) argued that foreign banks are more profitable than domestic once in developing countries and less profitable in industrial countries. Martinez and Mody (2004) showed that foreign banks in Latin American countries exhibit lower interest margins than domestic banks. According to Li (2010), foreign ownership is positively related to the bank's performance. Based on it, this study develops the following hypothesis:

H_9: There is a positive relationship between ownership structure and bank performance.

III. Results and discussion

Descriptive statistics

Table 2 presents the descriptive statistics of the selected dependent and independent variables during the period 2008/09 to 2015/16.

Table 2: Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of commercial banks for the study period of 2008/09 to 2015/16. Dependent variables are P/E (price earnings ratio defined as the market value per share earnings per share, in times) and MPS (market price per share defined as the closing price of the stock at the end of the year, in rupees). The independent variables are CAR (capital adequacy ratio defined as capital to risk weighted assets, in percentage), CRR (balance with NRB to total deposits, in percentage), CDR (credit to deposit ratio defined as total loans to total deposits, in percentage), MSH (market share defined as total asset of bank over industry total assets, in percentage), NBH (number of branches defined as total number of bank branches, in numbers), AGE (bank age defined as total number of years a bank is operating, in years), M2 (money supply defined as the broad money supply, in percentage), INF (inflation defined as change in consumer price index, in percentage) and OS (ownership structure defined as "1" if the bank is foreign bank, "0" otherwise.

Variables	Minimum	Mean	Maximum	Std. Deviation
MPS	80.00	861.06	6010.00	921.86
P/E	2.41	26.81	112.93	16.66
CAR	-10.97	12.22	28.41	3.20
CRR	3.02	14.12	37.64	7.77
CDR	39.27	74.93	88.61	10.64
AGE	2.00	15.91	33.00	7.93
MSH	1.26	5.28	11.45	2.60
NBH	1.00	30.00	59.00	15.00
M2	12.30	19.23	27.30	4.59
INF	6.70	9.13	12.60	1.72
OS	0.00	0.29	1.00	0.46

Table 2 shows that capital adequacy ratio varies from a minimum of -10.97 percent to a maximum of 28.41 percent, leading to an average of 12.22 percent. Similarly, cash reserve ratio varies from a minimum of 3.02 percent to a maximum of 37.64 percent, leading to an average of 14.14 percent. The credit to deposit ratio varies from a minimum of 39.27 percent to a maximum of 88.61 percent, leading to an average of 74.93 percent. Bank age varies from a minimum of 2 years in operation to a maximum of 33 years in operation, leading to an average of 15.91 years in operation. Similarly, market share varies from a minimum of 1.26 percent to a maximum of 11.45 percent leading to an average of 5.28 percent. A number of branches varies from a minimum of 1 branch to a maximum of 59 branches leading to an average of 30 branches. The money supply varies from a minimum of 12.30 percent to a maximum of 27.30 percent leading to an average of 19.23 percent. Similarly, the inflation varies from a minimum of 6.70 percent to a maximum of 12.60 percent leading to an average of 9.13 percent.

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed and the results are presented in Table 3. More specifically, it shows the correlation coefficients between dependent and independent variables.

Table 3: Pearson correlation matrix

This table shows the bivariate Pearson's correlation coefficients between dependent and independent variables of commercial banks for the study period of 2008/09 to 2015/16. Dependent variables are P/E (price earnings ratio defined as the market value per share earnings per share, in times) and MPS (market price per share defined as the closing price of the stock at the end of the year, in rupees). The independent variables are CAR (capital adequacy ratio defined as capital to risk weighted assets, in percentage), CRR (balance with NRB to total deposits, in percentage), CDR (credit to deposit ratio defined as total loans to total deposits, in percentage), MSH (market share defined as total asset of bank over industry total assets, in percentage), NBH (number of branches defined as total number of bank branches, in numbers), AGE (bank age defined as total number of years a bank is operating, in years), M2 (money supply defined as the broad money supply, in percentage), INF (inflation defined as change in consumer price index, in percentage) and OS (ownership structure defined as "1" if the bank is foreign bank, "0" otherwise.

Variables	CAR	CRR	CDR	MSH	NBH	AGE	M2	INF	OS	MPS	P/E
CAR	1										
CRR	0.20*	1									
CDR	0.01	0.06	1								
MSH	-0.30**	-0.35**	-0.42**	1							
NBH	-0.29**	-0.09	-0.02	0.46**	1						
AGE	-0.09	-0.06	-0.46**	0.70**	0.37**	1					
M2	0.01	0.05	-0.06	-0.01	-0.09	0.01	1				
INF	0.03	0.04	-0.05	0.01	-0.07	-0.07	-0.67**	1			
OS	-0.08	-0.08	-0.62**	0.36**	0.06	0.42**	0.01	0.01	1		
MPS	-0.11	-0.19*	-0.51**	0.68**	0.22*	0.63**	0.19*	-0.15	0.48**	1	
P/E	0.27**	-0.19*	-0.29**	0.21*	0.05	0.26**	0.34**	-0.27**	0.15	0.54**	1

Note: The asterisk signs (**) and (*) indicate that correlations are significant at 1 percent and 5 percent levels respectively.

The result shows that cash reserve ratio is negatively related to MPS and P/E. It indicates that increase in cash reserve ratio leads to decrease in MPS and P/E ratio. The result shows that credit to deposit ratio has a negative relationship with MPS and P/E ratio. It indicates that increase in credit to deposit ratio leads to decrease in MPS and P/E ratio. Likewise, the market share and number of branches have a positive relationship with MPS and P/E ratio which reveals that increase in market share and number of branches leads to increase in MPS and P/E. Similarly, the bank age and money supply have a positive relationship with MPS and P/E. It indicates that increase in bank age and money supply leads to increase in MPS and P/E ratio. However, inflation has a negative relationship with MPS and P/E indicating an increase in inflation leads to decrease in MPS and P/E. The ownership structure has a positive relationship with MPS and P/E ratio. It reveals that increase in ownership structure leads to increase in MPS and P/E ratio. The result shows that capital adequacy has a negative relationship with MPS and positive relationship with P/E. It reveals that increase in capital adequacy ratio leads to decrease in MPS and increase in P/E ratio.

Regression analysis

Having indicated the Pearson correlation coefficients, the regression analysis has been performed and the results are presented in Table 4. It shows the regression results of capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, number of branches, bank age, money supply, inflation, and ownership structure on P/E ratio.

Table 4: Estimated regression of CAR, CRR, CDR, MSH, NBH, AGE, M2, INF and OS on P/E ratio

These results are based on panel data of 17 commercial banks with 136 observations for the study period of 2008/09 to 2015/16 by the linear regression model. The model is, $P/E_{it} = a_{it} + \beta_1 CAR_{it} + \beta_2 CRR_{it} + \beta_3 CDR_{it} + \beta_4 MSH_{it} + \beta_5 NBH_{it} + \beta_6 AGE_{it} + + \beta_7 M2_t + \beta_8 INF_t + \beta_9 OS_{it} + e_{it}$ *where the dependent variable is P/E (price earnings ratio defined as the market value per share earnings per share, in times). The independent variables are CAR (capital adequacy ratio defined as capital to risk weighted assets, in percentage), CRR (balance with NRB to total deposits, in percentage), CDR (credit to deposit ratio defined as total loans to total deposits, in percentage), MSH (market share defined as total asset of bank over industry total assets, in percentage), NBH (number of branches defined as total number of bank branches, in numbers), AGE (bank age defined as total number of years a bank is operating, in years), M2 (money supply defined as the broad money supply, in percentage), INF (inflation defined as change in consumer price index, in percentage) and OS (ownership structure defined as "1" if the bank is foreign bank, "0" otherwise.*

Model	Intercept	Regression coefficient of									Adj R_bar²	SEE	F
		CAR	CRR	CDR	MSH	NBH	AGE	M2	INF	OS			
1	3.15 (0.49)	1.69 (3.25)**									0.07	11.24	10.59
2	28.97 (12.42)**		-0.36 (-2.31)*								0.03	11.45	5.32
3	58.87 (8.82)**			-0.45 (-5.26)**							0.17	10.62	27.69
4	19.22 (8.54)**				0.92 (2.41)*						0.03	11.43	5.79
5	22.93 (9.74)**					0.04 (1.72)					0.02	11.66	3.20
6	18.12 (8.32)**						0.38 (3.06)**				0.06	11.28	9.39
7	7.76 (1.91)							0.85 (4.12)**			0.11	10.99	16.98
8	40.73 (7.78)**								-1.82 (-3.23)**		0.07	11.24	10.46
9	22.96 (19.49)**									3.83 (1.76)	0.02	11.54	3.12
10	9.81 (0.81)	2.15 (4.54)**	-0.38 (-2.79)**	-0.34 (-3.87)**	0.13 (0.30)	0.09 (1.39)		0.84 (4.79)**			0.36	9.31	13.64
11	18.66 (1.19)	2.14 (4.52)**	-0.37 (-2.64)**	-0.35 (-3.92)**	0.17 (0.38)	0.08 (1.18)		0.69 (2.82)**	-0.59 (-0.90)		0.36	9.31	11.79
12	6.54 (0.38)	2.27 (4.68)**	-0.46 (-3.11)**	-0.26 (-2.34)*	0.04 (0.07)	0.07 (1.05)	0.21 (1.32)	0.75 (2.96)**	-0.44 (-0.65)	-1.41 (-0.59)	0.32	9.57	8.12

Note: The asterisk signs (**) and (*) indicate that coefficients are significant at 1 percent and 5 percent levels respectively.

The regression result shows that beta coefficients are positive and significant for capital adequacy ratio at 5 percent level. It indicates that capital adequacy ratio has significant positive impact on price-earnings ratio. This finding is consistent with the findings of Demirguc *et al.* (2004). However, the beta coefficients are negative and significant for cash reserve ratio at 5 percent level. It indicates that cash reserve ratio has significant negative impact on price-earnings ratio. This finding is similar to the findings of Meshack and Nyamute (2016). Similarly, the beta coefficients are negative and significant for credit to deposit ratio at 5 percent level. It reveals that credit to deposit ratio has significant negative impact on price-earnings ratio. This finding is similar to the findings of Swamy (2012). The results also show that beta coefficients are positive and significant for market share at 5 percent level. It indicates that market share has significant positive impact on price-earnings ratio. This finding is consistent with the findings of Gale (1972). Likewise, the beta coefficients are positive for a number of branches. It indicates a number of branches has a positive impact on price-earnings ratio. This finding is consistent with the findings of Williams (2007).

Additionally, the study reveals that beta coefficients are positive for bank age. It indicates that bank age has a positive impact on price-earnings ratio. This finding is consistent with the findings of Gaur and Gupta (2011). The beta coefficients are positive and significant for money supply at 5 percent level. It reveals that money supply has significant positive impact on price-earnings ratio. This finding is similar to the findings of Al-Qudah and Jaradat (2013). However, the beta coefficients are negative for inflation. It indicates that inflation has a negative impact on price-earnings ratio. However, coefficients are not significant at 5 percent level. This finding is consistent with the findings of Azam and Siddiqui (2012). The beta coefficients are positive for ownership structure. It indicates that higher the ownership structure has a positive impact on price-earnings ratio. This finding is consistent with the findings of Li (2010).

Table 5 shows the regression results of capital adequacy ratio, cash reserve ratio, credit to deposit ratio, market share, number of branches, bank age, money supply, inflation, and ownership structure on MPS.

Table 5: Estimated regression of CAR, CRR, CDR, MSH, NBH, AGE, M2, INF and OS on MPS

These results are based on panel data of 17 commercial banks with 136 observations for the study period of 2008/09 to 2015/16 by the linear regression model. The model is, $MPS_{it} = a_{it} + \beta_1 CAR_{it} + \beta_2 CRR_{it} + \beta_3 CDR_{it} + \beta_4 MSH_{it} + \beta_5 NBH_{it} + \beta_6 AGE_{it} + +\beta_7 M2_t + \beta_8 INF_t + \beta_9 OS_{it} + e_{it}$ *where, Dependent variable is MPS (market price per share defined as the closing price of the stock at the end of the year, in rupees). The independent variables are CAR (capital adequacy ratio defined as capital to risk weighted assets, in percentage), CRR (balance with NRB to total deposits, in percentage), CDR (credit to deposit ratio defined as total loans to total deposits, in percentage), MSH (market share defined as total asset of bank over industry total assets, in percentage), NBH (number of branches defined as total number of bank branches, in numbers), AGE (bank age defined as total number of years a bank is operating, in years), M2 (money supply defined as the broad money supply, in percentage), INF (inflation defined as change in consumer price index, in percentage) and OS (ownership structure defined as "1" if the bank is foreign bank, "0" otherwise.*

Model	Intercept	Regression coefficient of									Adj R_bar²	SEE	F
		CAR	CRR	CDR	MSH	NBH	AGE	M2	INF	OS			
1	1232.48 (3.30)**	-36.98 (-1.78)									0.02	644.85	3.22
2	3363.42 (9.93)**		-18.93 (-2.19)*								0.30	539.81	59.40
3	1034.28 (7.96)**			-33.25 (-7.71)**							0.03	637.21	4.80
4	-126.73 (-1.35)				170.44 (10.70)**						0.46	476.05	114.67
5	479.51 (3.75)**					9.78 (2.55)*					0.04	633.17	6.57
6	-41.66 (-0.43))						51.41 (9.41)**				0.39	503.12	88.64
7	258.68 (1.09)							26.92 (2.26)*			0.03	636.52	5.09
8	1301.16 (4.36)**								-57.52 (-1.79)		0.02	640.91	3.20
9	578.56 (9.93)**									672.28 (6.26)**	0.22	570.39	39.22
10	3918.07 (8.46)**	-43.41 (-1.75)		-33.51 (-7.82)**							0.31	535.72	31.68
11	3895.83 (8.41)**	-38.15 (-1.50)	-7.48 (-0.99)	-32.74 (-7.52)**							0.31	535.75	21.44
12	2268.87 (2.83)**	-12.17 (-0.49)	-8.48 (1.21)	-23.51 (-5.17)**		6.92 (2.16)*		21.49 (1.65)	-15.41 (-0.44)	407.55 (3.92)**	0.41	495.53	14.50

Note: The asterisk signs (**) and (*) indicate that correlations are significant at 1 percent and 5 percent levels respectively.

The regression result shows that beta coefficients are negative for capital adequacy ratio. It reveals that capital adequacy ratio has a negative impact on the market price per share. This finding is similar to the findings of Dahal *et al.* (2017). Similarly, the beta coefficients are negative for cash reserve ratio. It indicates that cash reserve ratio has negative impact on the market price per share. This finding is similar to the findings of Friedman and Schwart (1963). The beta coefficients are negative for

credit to deposit ratio. It indicates that credit to deposit ratio has negative impact on the market price per share. This finding is consistent with the findings of Shingjergji (2013). Likewise, the beta coefficient is positive for market share. It shows that market share has a positive impact on the market price per share. This finding is consistent with the findings of O'Regan (2002). The results also show that beta coefficients are positive and significant for a number of branches at 5 percent level. It indicates that a number of branches has significant positive impact on the market price per share. This finding is consistent with the findings of Williams (2007).

Similarly, the table shows that the beta coefficient is positive for bank age and money supply. It indicates that bank age and money supply have positive impact on the market price per share. This finding is similar to the findings of Ghosh (1998) and Osamwonyi and Micheal (2014). However, the beta coefficients are negative for inflation. It indicates that inflation has a negative impact on the market price per share. This finding is similar to the findings of Hoffmann (2011). The beta coefficients are positive and significant for ownership structure at 5 percent level. It reveals that ownership structure has significant positive impact on the market price per share. This finding is similar to the findings of Li (2010).

IV. Summary and conclusion

The study attempts to examine the effect of bank regulations and competition on the performance of Nepalese commercial banks. The study is based on secondary sources of data from 17 commercial banks with 136 observations for the period of 2008/09 to 2015/16.

The result shows that cash reserve ratio, credit to deposit ratio, inflation, and capital adequacy ratio are negatively related to MPS and P/E ratio. It indicates that increase in cash reserve ratio, credit to deposit ratio, inflation, and capital adequacy ratio leads to decrease in MPS and P/E ratio. However, the study reveals that market share, number of branches, bank age, and money supply have a positive relationship with MPS and P/E. It indicates that increase in market share, number of branches, bank age, and money supply leads to increase in MPS and P/E. The regression results also show that market share, a number of branches, bank age, money supply, and ownership structure have a positive impact on MPS and P/E ratio whereas cash reserve ratio, credit to deposit ratio, and inflation have a negative impact on MPS and P/E ratio. However, coefficients are significant only for cash reserve ratio and money supply at 5 percent level of significance.

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Uniglobe College which has earned a name and fame in MBA (Finance) thereby building a craze among the students now offers MBA for those who wants to specialize in Marketing, HR, Finance and other functional areas of management. Like MBA (Finance), record breaking Uniglobe College will now lead Pokhara University's MBA to a new height.

Highly competent faculties

Faculties at Uniglobe College are trained in Florida State University, USA; St. Cloud State University, USA; University of Northern Virginia, USA; Rikkyo University, Japan; Warsaw University, Poland; Asian Institute of Technology, Bangkok; Cambridge University, UK; Technical University Munich, Germany; University of Hong Kong, Hong Kong; Indian Institute of Management, Ahmedabad; University of Delhi, India, North Eastern Hill University, India; HNB Garhwal University, India; Indian Institute of Mass Communication, India; and University of Rajasthan, India. Faculties at Uniglobe College also include foreign faculties from Bangladesh, India, Poland, Thailand, USA and UK.

Invitation

Placement: Uniglobe College invites HR Managers to visit our college for sourcing management trainees.
Adjunct Faculties: Adjunct faculties are invited to Uniglobe College to share their experiences and knowledge with our students as Guest Speaker or Visiting Faculty.
Corporate training: Organizations requiring short term corporate trainings programs for mid to senior industry professionals are invited at Uniglobe College.
Curricula: Academicians are invited at Uniglobe College to provide inputs on latest industry trends to enrich our programs.

Duration of the Course

MBA program is a two-year program stretched over six terms of full-time study, with every academic year having three terms (trimesters).
Total credit hours: 66 (sixty six).
Eligibility for application: Anyone with minimum 3 years Bachelor's degree in any discipline with at least 45% in aggregate or CGPA 2.0.

Scholarship is available as per the rule of Pokhara University

BBA
BACHELOR OF BUSINESS ADMINISTRATION

BBA

Uniglobe College runs BBA Program of Pokhara University. It is the most modern and advanced program now offered in Nepal which goes much more beyond the traditional BBA. This four– year rigorous and intensive program is for those who wants to take up the challenging task of becoming middle level managers and entrepreneurs. It also prepares the students for higher level of education.

Pokhara University's BBA at Uniglobe College realizes the greater needs of business community and prepares the students accordingly. This academic program is, therefore, termed as highly competent and popular at the national level. Its uniqueness, among others, in relation to building human capital, is categorically crafted that ensures much needed highly competent middle level human resources in Nepalese and global job markets.

Highly competent faculties

Faculties at Uniglobe College are trained in Florida State University, USA; Rikkyo University, Japan; Warsaw University, Poland; Asian Institute of Technology, Bangkok; Cambridge College, New Land University, USA; University of Southampton, UK; University of Hong Kong, Hong Kong; Indian Institute of Management, Ahmedabad; University of Delhi, India; Indian Institute of Mass Communication, India; University of Rajasthan, India; Tribhuvan University; Kathmandu University; and Pokhara University, Nepal.

Duration of the Course

BBA program is a four-year program stretched over eight semesters of full-time study, with every academic year having two semesters.
Total credit hours 120.

Eligibility for application: Anyone with minimum 3 years Bachelor's degree in any discipline with at least 45% in aggregate or CGPA 2.0.
Scholarship is available as per the rule of Pokhara University

New Baneshwor, Kathmandu
Tel: 01-4115690, 4115569
www.uniglobe.edu.np

BBA-BI

BACHELOR OF BUSINESS ADMINISTRATION- BANKING & INSURANCE

BBA-BI

Uniglobe College runs BBA-BI Program of Pokhara University. It is the most modern and advanced focused program now offered in Nepal which goes much more beyond the traditional BBA. This four– year rigorous and intensive program is for those who wants to take up the challenging task of becoming finance focused middle level managers and entrepreneurs. It also prepares the students for higher level of education.

Pokhara University's BBA-BI at Uniglobe College realizes the greater needs of financial community and prepares the students accordingly. This academic program is, therefore, termed as highly competent and popular at the national level. Its uniqueness, among others, in relation to building finance focused human capital, is categorically crafted that ensures much needed highly competent finance focused middle level human resources in Nepalese and global job markets.

Highly competent faculties

Faculties at Uniglobe College are trained in Florida State University, USA; Rikkyo University, Japan; Warsaw University, Poland; Asian Institute of Technology, Bangkok; Cambridge College, New Land University, USA; University of Southampton, UK; University of Hong Kong, Hong Kong; Indian Institute of Management, Ahmedabad; University of Delhi, India; Indian Institute of Mass Communication, India; University of Rajasthan, India; Tribhuvan University; Kathmandu University; and Pokhara University, Nepal.

Duration of the Course

BBA-BI program is a four-year program stretched over eight semesters of full-time study, with every academic year having two semesters.
Total credit hours 120.
Eligibility for application: Anyone with minimum 3 years Bachelor's degree in any discipline with at least 45% in aggregate or CGPA 2.0.

Scholarship is available as per the rule of Pokhara University

New Baneshwor, Kathmandu
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<u>Instructions To Authors</u>

1. Papers must be in English. Please submit the manuscript formatted in MS Word 2010 or above in Book Antique format in a 12 point font.
2. Papers for publication should be sent in quadruplicate to:
   Dr. Nar Bahadur Bista, Executive Editor, Uniglobe College, P. O. Box 7953, Kathmandu, Nepal. Submission of a paper will imply that it contains original unpublished work. The Editor does not accept responsibility for damage or loss of papers submitted. Acceptance of an article, means that the author has transferred copyright of the accepted article to the publisher. This transfer will ensure the widest possible dissemination of information. The submission fee is Rs.3000 for members of the Uniglobe College and Rs. 5000 for non-members. Cheques should be made payable to "Nepalese Journal of Management".
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   2. The costs of bankruptcy
   2.1. The nature of direct costs
   2.1.1. Professional fees and expenses
   References, tables, and legends for figures should be printed on separate pages.
4. The first page of the manuscript should contain the following information: (I) the title; (II) the name(s) and institutional affiliation(s) of the author(s); (III) an abstract of not more that 100 words. A footnote on the same sheet should give the name, address, telephone number, fax number, and E-mail address of the corresponding author.
5. The first page of the manuscript should also contain key words of about five.
6. Acknowledgements and information on grants received can be given in a first footnote which should not be included in the consecutive numbering of footnotes.
7. Footnotes should be kept to a minimum and numbered consecutively throughout the text with superscript Arabic numerals. They should be single spaced in a 10 point font and not include displayed formulae or tables.
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   For periodicals:
   Pradhan and Shrestha, 1994. Seasoned equity offerings: The case of all-equity firms, *Nepalese Journal of Corporate Governance* 1(1), 32-43.
   For working papers:
   Pradhan, M., 1997. *The direct costs of corporate bankruptcy*. Working Paper, University of Missouri-Columbia.
   For books:
   Theil. H., 1971. *Principles of Econometrics*. (Wiley, New York, NY).
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11. Tables should be numbered consecutively in the text in Arabic numerals and printed on separate sheets. The table number should be left justified and appear above the actual table. Underneath the table number and also left justified should appear the table title in bold. Beneath the table title should then follow descriptive material which will allow the table to be read independent of the textual material. Tables should appear as follows:
    Table 1
    Distribution of debts and costs
    Frequency distributions are reported for 48 cases of Chapter 7 and 27 cases of Chapter 11 that are filed between 1981 and 1991 in the U.S. Bankruptcy Court (Western District of Tennessee). Debt consists of all claims For figures, follow a format similar to that of tables, but place the figure number, title and description beneath the figure.
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