Determinants Of Banks Profitability Evidence

Seminar paper from the year 2019 in the subject Business economics - Banking, Stock Exchanges, Insurance, Accounting, grade: 1,0, University of Frankfurt (Main), course: Inspecting the European Banking Sector, language: English, abstract: In the novel monetary environment of negative interest policy rates (NIPR) in the Euro area, it is questionable whether the existing findings on determinants of Net Interest Margins (NIM) still hold. This paper analyzes differences in the development of NIM across business models represented by a set of three indicators prior to and after the introduction of NIPR. The strategies are based on a binary categorization between high and low levels of the business indicators using a median, 67-33 and 80-20 percentile cut-off rule. I use a difference in differences (DiD) estimation approach, even though NIPR impact all banks' NIM. Thus, the obtained estimates do not measure the impact of NIPR itself, but the DiD between strategies. I mostly find positive albeit insignificant effects on banks with low asset held for trading, high deposit and customer loan ratios. In contrast, the DiD coefficient for banks with high deposit-based financing using an 80-20 cut-off is -14 bp, which proves to be a highly significant and economically relevant. These findings support the notion that multiple channels are affecting banks' NIM.

Banking sector plays the most important role in the economic growth of country. It is generally agreed that a

sprout and well-functioning banking sector is a prerequisite for sustainable economic growth. Banks in Pakistan have been undergoing major challenges in the dynamic environment over the past few years. The aim of this study is to examine the effect of bank-specific, industry-specific and macroeconomic determinants of bank performance. The study employs annual data for 13 Commercial Banks of Pakistan for the period 2005 to 2013. Pooled regression analysis is used to test hypothesis. Results of pooled regression revealed that all variables except bank size have a negative and significant impact on bank performance, whereas bank size has positive and significant impact on bank performance. Overall, it can be concluded that all the bank-specific variables affect profitability strongly. Macro-economic variables influenced the profitability much but negatively. Moreover, the industry related variables have also significant association with bank performance.

The paper analyzes how bank characteristics and the overall financial environment affect the performance of Islamic banks. Utilizing bank level data, the study examines the performance indicators of Islamic banks across eight Middle Eastern countries between 1993 and 1998. A variety of internal and external banking characteristics were used to predict profitability and efficiency. In general, our analysis of determinants of Islamic banks' profitability confirms previous findings. Controlling for macroeconomic environment, financial market structure, and taxation, the results indicate that high capital-to-asset and loan-to-asset ratios lead to higher profitability. The results also indicate that foreign-owned

banks are likely to be profitable. Everything remaining equal, the regression results show that implicit and explicit taxes affect the bank performance and profitability negatively while favorable macroeconomic conditions impact performance measures positively. Our results also indicate that stock markets and banks are complementary to each other.

Profitability of Islamic banks has a significant effect on banks current and future decisions that do not only associate with shareholders and management, but also for various types of stakeholders. Despite that, scholars are not yet agreement on common determinants of profitability in banking industry. This study aims to investigate the effect of bank-specific and industry characteristics along with macroeconomic variable (the inflation) on the profitability of a sample of 10 Islamic banks in Sudan. The study applied descriptive statistics, Persons' correlation and multiple regression analysis on secondary data in order to determine the relationships and degree of significant of the independent variables to profitability. The profitability has been measured by two models; as return on assets (ROA) and net profit margin (NPM). The results reveal that bank capitalization (EQTA), operational cost efficiency (OCOI), investment in short-term securities (SECA) and inflation (INF) variables are significantly affecting the profitability of Islamic banks in Sudan. In contrary, the deposit-size of the bank (as market share) is not a significant determinant of banks' profitability. Furthermore, the results indicate that quality of credit loan (NPL) is highly significant to NPM, while it is insignificant to ROA.

Estimation, Determinants and Evidence
Determinants of Bank Profitability in Nigeria
A Theoretical and Empirical Framework for the Analysis of Profitability, Competition and Efficiency
Evidence on Bank Specific and Macroeconomic Determinants
Tool for Decision-making
Evidence from Tunisia
Determinants of profitability in commercial banks in Albania

We examine the relationship between leverage and residual income for a sample of international banks using an unbalanced panel over the period 2005-2011. Our GMM-based econometric model considers both bank-level and country-level variables to control for several other factors aside from equity capital and allows for endogeneity and unobservable heterogeneity. We document a significant positive non-monotonic link between the capital ratio and residual income for the international banking industry. These results are robust to a number of different model specifications.

Economic literature pays a great deal of attention to the performance of banks, expressed in terms of competition, concentration, efficiency, productivity and profitability. This book provides an all-embracing framework for the various existing theories in this area and illustrates these theories with practical applications. Evaluating a broad field of research, the book describes a profit maximizing bank and demonstrates how several widely-used models can be fitted into this framework. The authors also present an overview of the current major trends in banking and relate them to the assumptions of each model, thereby shedding light on the relevance, timeliness and shelf life of the various models. The *results include a set of recommendations for a future research agenda. Offering a comprehensive analysis of bank performance, this book is useful for all of those undertaking research, or are interested, in areas such as banking, competition, supervision, monetary policy and financial stability.*

This paper explores the determinants of profitability across large euro area banks using a novel approach based on conditional profitability distributions. Real GDP growth and the NPL ratio are shown to be the most reliable determinants of bank profitability. However, the estimated conditional distributions reveal that, while higher growth would raise profits on average, a large swath of banks would most likely continue to struggle even amid a strong economic recovery. Therefore, for some banks, a determined reduction in NPLs combined with cost efficiency improvements and customized changes to their business models appears to be the most promising strategy for durably raising profitability.

In recent years loan loss provisions have become the major determinant of bank profitability levels and have had a significant impact upon capital adequacy measures. Given the implications of such matters for the overall stability of the financial system, it is important to understand the determinants of bank loan losses and bank loan loss provisioning policies. This article draws together the piecemeal and diverse literature concerning bank loan loss provisioning. The main conceptual issues considered are the fundamental nature of loan loss provisions, the alternative methods used to estimate loan losses and the determinants of loan losses and associated provisioning policies. The available empirical evidence is also reviewed.

Firm Specific and Macroeconomic Determinants of Financial Institutions' Profitability

Macroeconomic Evidence from Nigeria

Evidence from a Sample of International Banks
Evidence from Greek Commercial Banks
Bank Liberalization and Profitability
Financial Structure and Bank Profitability
Bank Performance

We investigate the impact of board and ownership structure on profitability of 74 commercial banks from four transition economies of South East Europe over the 2005-2010 period. We analyse this relation using Ordinary Least Squares regression analysis on an unbalanced panel data-set of 377 observations. We find negative and significant relationship between board size and bank profitability, while the proportion of independent directors on the board is negatively, but insignificantly related to bank profitability. Impact of ownership concentration on bank profitability is negative, but weak. We also find that privately held domestic banks outperform state-owned and foreign banks. Important factors influencing bank profitability in South East Europe are also bank size and bank capitalisation.

The study investigates the

profitability of banks within 41 African countries from the period 2004 to 2013 at different levels of credit information sharing using the depth of credit information index to measure the extent of credit information sharing in Africa. A Fixed Effects regression model was employed on unbalanced panel data from the Bank Scope Database. The results indicate that credit information sharing through Private Credit Bureaus significantly matters in enhancing bank profitability whiles other bank specific factors such as Capital Adequacy, Credit Risk and Management/Operational efficiency also significantly explains the variations in the profitability of banks in Africa. Government measures and policies are needed to provide the enabling financial environment that will harness private information sharing to accelerate growth and improve bank profitability.

This study investigates the determinants of African bank profitability while controlling for bank capital regulation. Using static and dynamic panel estimation *techniques, the findings indicate that that bank size, total regulatory capital and loan loss provisions are significant determinants of the return on assets of listed banks compared to non-listed banks. Also, regulatory capital has a more significant (and positive) impact on the return on assets of listed banks than non-listed banks particularly when listed banks have sufficient regulatory capital ratio. We also find that higher regulatory thresholds have a negative impact on the return on asset of non-listed banks.*

The paper analyzes how bank specific and macroeconomic variables affect the profitability of savings and loans (S&L) companies in Ghana. The bank specific (internal) determinants data was collected from the financial statements of the S&L companies from 2011 to 2016 whereas the macroeconomic (external) determinants were sourced from the central bank of Ghana. The bank specific variables chosen for the study were capital adequacy ratio, non-performing loan ratio, loans and advances to deposit ratio and size of *bank. The macroeconomic variables included were annual GDP growth rate and CPI-inflation rate. Data were analyzed using SPSS software and multiple regression model was used to find out the relationship between profitability and the internal and external determinants. Capital Adequacy, Non-performing Loans, Bank size, Inflation and GDP growth rate all negatively influenced profitability of savings and loans companies in Ghana. The only variable found to positively influence S&Ls profitability was Loans and Advances. Researchers have made different findings with regard to profitability determinants of banks which makes the findings inconclusive. We therefore recommend further research on profitability determinants banks especially, in the Savings and Loans sub banking sector.*

Determinants of Bank Profitability Before and During the Crisis

The Bank Credit Analysis Handbook

Evidence from Listed and Non-Listed Banks in Africa

The Effect of Specific Factors on Bank Profitability

Evidence from the Euro Area
Some Evidence from the Middle East
The Determinants of Commercial Bank Interest Margin and Profitability

There are increasing scholarly debates on the direction of policy to effectively improve the performance of banks. Some scholars argue that bank performance is enhanced by improvements in the internal organization and managerial efficiency others argue that industry wide factors are integral to bank performance. In recent times, the direction of literature has shown that macroeconomic factors play a significant role in determining bank profitability. This paper investigates the determinants of bank profitability in the light of bank specific variables, industry related factors and macroeconomic influences, using a panel of five selected banks that account for over 60% of total bank assets in Nigeria. Findings show that bank profitability is largely determined by credit risk and other factors that relate to the internal organization of banking firms. Market concentration is significant as a determinant of bank profitability. There is no evidence of structure-conduct-performance hypothesis, however empirical results show that there is no collusive behavior among banks. Exchange rate is significant as a determinant of bank profitability through return on equity and non-interest margin, but not significant to return on asset as a measure of profitability.

A hands-on guide to the theory and practice of bank credit analysis and ratings In this revised edition, Jonathan Golin and Philippe Delhaise expand on the role of bank credit analysts and the methodology of their practice. Offering investors and practitioners an insider's perspective on how rating agencies assign all-important credit ratings to banks, the book is updated to reflect today's environment of increased oversight and demands for greater transparency. It includes international case studies of bank credit analysis, suggestions and insights for understanding and complying with the Basel Accords, techniques for reviewing asset quality on both quantitative and qualitative bases, explores the restructuring of distressed banks, and much more. Features charts, graphs, and spreadsheet illustrations to further explain topics discussed in the text Includes international case studies from North America, Asia, and Europe that offer readers a global perspective Offers coverage of the Basel Accords on Capital Adequacy and Liquidity and shares the authors' view that a bank could be compliant under those and other regulations without being creditworthy A uniquely practical guide to bank credit analysis as it is currently practiced around the world, The Bank Credit Analysis Handbook, Second Edition is a must-have resource for equity analysts, credit analysts, and bankers, as well as wealth managers and investors.

The aim of this study is to examine the persistence of profit and the effect of bank-specific determinants of Tunisian bank profitability. To account for profit persistence, we apply a dynamic panel model, using Generalized Methods of Moments (GMM) system for 16

Tunisian commercial banks, divided into 11 deposit banks and 5 development banks during the period 1999-2010. The estimates show that the evidence for profit persistence is positive and significant for both deposit and development banks during the period 2005-2010. However, we find that deposit banks are more competitive than development banks. Therefore, abnormal profit persists for Tunisian banks, but development banks enjoy more regulatory protection than deposit banks. We find a positive relationship between capital and profitability. This implies that the capital market is not perfect in the Tunisian banking sector. The liquidity risk management by Tunisian banks shows that the overuse of deposits to finance loans is likely to weigh on the profitability of the banks. Finally, we show that credit risk management is negatively related to bank profitability and that deposit and development banks suffer from the bad quality of their loans and the lack of provisions over the period 1999-2010.

We analyze how bank profitability impacts financial stability from both theoretical and empirical perspectives. We first develop a theoretical model of the relationship between bank profitability and financial stability by exploring the role of non-interest income and retail-oriented business models. We then conduct panel regression analysis to examine the empirical determinants of bank risks and profitability, and how the level and the source of bank profitability affect risks for 431 publicly traded banks (U.S., advanced Europe, and GSIBs) from

2004 to 2017. Results reveal that profitability is negatively associated with both a bank's contribution to systemic risk and its idiosyncratic risk, and an over-reliance on non-interest income, wholesale funding and leverage is associated with higher risks. Low competition is associated with low idiosyncratic risk but a high contribution to systemic risk. Lastly, the problem loans ratio and the cost-to-income ratio are found to be key factors that influence bank profitability. The paper's findings suggest that policy makers should strive to better understand the source of bank profitability, especially where there is an over-reliance on market-based non-interest income, leverage, and wholesale funding.

Bank Profitability and Capital Regulation

Breaking the Bank? A Probabilistic Assessment of Euro Area Bank Profitability

Evidence from Nepalese Banks

Evidence from Malaysia

Influence of Board and Ownership Structure on Bank Profitability

Profitability of Western European Banking Systems

Non Finance Versus Finance Factors' Influence on Banks' Profitability

The purpose of this paper is to investigate the market concentration, foreign ownership and determinants of profitability for commercial banks operating in the MENA economies over the period 1999-2012. This paper uses panel analysis via GMM estimation to examine a large sample of banks for a period that includes the recent global crisis and Arab uprising, marked by political changes, liberalisation and market transformation. Findings indicate that the SCP hypothesis is not rejected; highlighting that increased market power yields monopoly profits. The fact that the impact of market concentration is positive in MENA economies is vital evidence, at least to a certain extent that bank performance is explained by market concentration. Findings also confirm that there is a positive and significant relationship between profitability and capital adequacy, confirming that regulators and policy makers should ensure banks are well capitalised to guarantee survival and stability for MENA banks. Cost efficiency and bank size have decreased profitability of banks, and banks with foreign ownership are more profitable and perform better than state banks. Overall, the paper finds evidence of structural reforms and uncovers measures that have led to the improvement of regulation, and the implementation of frameworks which should continue to improve competitiveness within MENA banking sectors. In addition, future policy on the banking sector should take account of intervention to change the market structure and to stimulate competition.

Profitability is a key indicator or performance. However, the topic of identifying the determinants of the Philippine Thrift Banking Industry's profitability has received little attention in the academic literature. This paper attempts to fill this death by offering empirical evidence about the relationship between thrift banks' profitability and some macroeconomic and banking industry variables. A better understanding of this relationship could lead to better policy decisions that would help boost the industry's profitability position. The main objective of the study is to assess the selected determinants of profitability of the thrift banking industry. The study utilized Multiple Regression Analysis to examine the relationship between profitability and the possible determinants and consequently identify which among these determinants are significantly related to profitability. Profitability was represented by the industry average Return on Assets (ROA) and Return on Equity (ROE) ratios. Quarterly data from 1999-2005 were considered for the time series analysis.

Scientific Study from the year 2018 in the subject Economics - Finance, grade: 12, , language: English, abstract: This study examines the determinants of profitability of commercial banks in Albania. These determinants are categorized into two groups, internal factors that are the bank specific factors and external factors that are further divided into macroeconomic factors and industry specific factors. The main objective of the study is to determine the factors affecting the profitability of commercial banks and making some recommendations, that maybe can help the management and policymakers. A panel data with 16 commercial banks in Albania is analyzed for the period 2009-2014. Two indicators are used (dependent variables) for the measurement of profitability, return on assets (ROA) and return on equity (ROE). Banking specific factors that are used in this study include variables such as bank size, asset management, credit risk, liquidity of assets, capital adequacy, operational efficiency and cost of financing. On the other hand is taken into consideration only one industry specific factor, which is the concentration and macroeconomic factors such as GDP, inflation and exchange rate. To meet the main object of the research, the study is based mainly on quantitative research method, which is supplemented by a qualitative method. Quantitative data were obtained mainly from the financial statements of commercial banks, by INSTAT, Bank of Albania, and World Bank, in order to make empirical analysis needed to identify and measure the determinants of bank profitability. In particular, multiple regression analysis was used to measure the impact of the determinants of bank profitability. On the other hand, qualitative data were collected through unstructured interviews conducted with executives of finance in the albanian commercial banks. To realize empirical analysis were used the software SPSS 22 and Eviews 7.

This paper examines the impact of assets quality, capital adequacy ratio, assets diversification and operating efficiency on banks' profitability. This study employs bank scope data of eight commercial banks during the period of 2002/03-2016/17. Altogether, there are 96 observations are made in the study. The ordinary least squares model is used to analyze the data. The results indicate that three predictor variables assets quality, operating efficiency, and capital adequacy ratio significantly affect bank profitability. But the predictor variable diversification does not affect banks' profitability significantly. The results of this study help the bankers and policymakers to take effective action in order to improve banks' profitability.

Evidence from MENA Countries

Oil Prices and Bank Profitability

A Guide for Analysts, Bankers and Investors

Evidence from Sudan

Evidence from Banking Sector of Dhaka Stock Exchange

Evidence from Banks and Insurances in Ethiopia

Evidence from Switzerland

The study examined the determinants of RCB's financial profitability. The study used mainly secondary data extracted from the annual financial statement of the selected banks. The study used a panel data with two hundred and fifty observations within the period 2002 to 2011

for sixty rural banks in Ghana. The empirical results reveal some interesting evidence on the determinants of RCB's profitability. The findings suggest that the size of the RCB's assets and increased non-interest income, are the internal factors that affect rural bank profitability, whiles GDP and the growth of money supply are external factors that affect rural bank profitability. Though, loan loss provisions, total overhead expenses and inflation negatively affected rural bank performance. It is recommended that it is necessary for bank management to take all the required decisions as to the proportion of their assets they will want to hold to enhance the financial positions of the bank. In addition, government must ensure economic growth stability that could transform into rural bank profitability.

The paper analyzes the relationship between bank competition and stability, with a specific focus on the Middle East and North Africa. Price competition has a positive effect on bank liquidity, as it induces self-discipline incentives on banks for the choice of bank funding sources and for the holding of liquid assets. On the other hand, price competition may have a potentially negative impact on bank solvency and on the credit quality of the loan portfolio. More competitive banks may be less solvent if the potential increase in the equity base—due to capital adjustments—is not large enough to *compensate for the reduction in bank profitability. Also, banks subject to stronger competitive pressures may have a higher rate of nonperforming loans, if the increase in the risk-taking incentives from the lender's side overcomes the decrease in the credit risk from the borrower's side. In both cases, country-specific policies for market entry conditions—and for bank regulation and supervision—may significantly affect the sign and the size of the relationship. The paper suggests policy reforms designed to improve market contestability and to increase the quality and independence of prudential supervision.*

Banking sector of Bangladesh is trapped in a gridlock of non-performing loans (NPLs) so much so that NPL accounts for 11.60% of the total volume of classified loans. This problem has started to be widening with an evil trend of loan embezzlement among the industrial borrowers in our country. Frequent scam series in banking industry is surely a red light and unfortunately the commercial banks are highly surrounded by it. The goal of the study is to analyze the impact of non-performing loan (NPL) on profitability where in this study considered net interest margin (NIM). This paper attempts to find out the time series scenario of non-performing loans (NPLs), its growth, provisions and relation with banks profitability by using some ratios and a linear regression model of econometric *technique. The empirical results represent that non-performing loan (NPL) as percentage of total loans on listed banks in Dhaka Stock Exchange (DSE) is very high and they holds more than 50% of total non-performing loans (NPLs) of the listed 30 banks in Dhaka Stock Exchange (DSE) for year 2008 to 2013. Moreover it is one of the major factors of influencing banks profitability and it has statistically significant negative impact on net profit margin (NPM) of listed banks for the study periods.*

CD-ROM contains: World Bank data.

Loan Loss Provisioning by International Banks

Market Concentration, Foreign Ownership and Determinants of Bank Financial Performance

The Rural Bank Profitability Nexus

Determinants of Net Interest Margins. Are Banks equally affeced by Negative Interest Policy Rates?

How Does Bank Competition Affect Solvency, Liquidity and Credit Risk? Evidence from the MENA Countries

A Cross-country Comparison of Banks, Markets, and Development

Determinants of Bank Performance

This paper investigates the impact of banks' characteristics, financial structure and macroeconomic indicators on banks' net interest margins and profitability in the Tunisian banking

industry for the 1980-2000 period. First, individual bank characteristics explain a substantial part of the within-country variation in bank interest margins and net profitability. High net interest margin and profitability tend to be associated with banks that hold a relatively high amount of capital, and with large overheads. Second, the paper finds that the inflation has a positive impact on banks' net interest margin while economic growth has no incidence Third, turning to financial structure and its impact on banks' interest margin and profitability, we find that concentration is less beneficial to the Tunisian commercial banks than competition. Stock market development has a positive effect on bank profitability. This reflects the complementarities between bank and stock market growth. We have found that the disintermediation of the Tunisian financial system is favourable to the banking sector profitability.
This study investigated the impact of bank-specific variables on bank profitability in the Nigerian banking

industry. In investigating the impact, a regression is used. Using an unbalanced panel data set comprising 65 observations of 15 banks over the 2006-2010 period, the regression results confirm and differ from some previous findings. The results reveal that bank capital adequacy, bank credit portfolio size, and bank credit risk are significant determinants of bank profitability in Nigeria. It also reveals that bank size, customers' deposit, and management efficiency (measured by operating expenses/total asset ratio) are insignificant determinants of bank profitability in Nigeria. These results imply that Nigerian banks should focus more on increasing their equity-total asset ratio and credit risk management due to its impact on profitability. Therefore, the research provided evidence that supports the Central Bank of Nigeria's policy of bank recapitalisation and credit management aimed at ensuring profitability and liquidity in the Nigerian banking sector.

Banking stocks have been surging off late. However asset quality issues that have plagued the banking sector over the past five years remain in the back ground. This paper seeks to study the influence of key internal determinants on the profitability of listed banks in India and to see if these determinants change or remain the same over time. The profitability measures chosen were the Return on Assets (ROA) and the Return on Equity (ROE). The internal determinants chosen for the study comprised of key bank metrics such as the deposit/credit ratio and bank size, income measures that include interest income/average working funds and non interest income/average working funds, a measure of fee based income, a key productivity measure in business per employee and risk factors that include the capital adequacy ratio and % Net NPA. The influence exerted by the determinants on ROA and ROE was different across years and varied for both ROA and ROE. The risk factors and income measures studied proved to be key determinants of ROA and ROE. Key stake holders of banks should keep these determinants in mind as they seek to evaluate and understand the rapidly

growing Indian banking landscape.
This paper investigates the evolution of the determinants of bank profitability for a small bank market, as it is the case of the Greek market. The period examined, 1980-1991, is divided into three subperiods, one in which banks functioned under a highly restricted environment, a second one, where certain changes occurred towards deregulation and a recent one, since 1987, when significant changes have been introduced liberalizing the market. The results suggest that the determinants of profitability of Greek commercial banks were highly different from those depicted in other countries during the periods of intense regulation in Greece. However, liberalisation of the Greek financial system, has brought these determinants more in line with international experience, and thus has normalised the behaviour of Greek commercial banks.
Determinants of Profitability in Islamic Banks
Evidence From Major Oil-Exporting Countries in the Middle East and North Africa

Financial Sector Development and the Determinants of Bank Profitability
Bank Leverage and Profitability
Bank Profitability and Financial Stability
Determinants of Tunisian Bank Profitability
Panel Evidence on Structural and Cyclical Determinants

March 1998 Differences in interest margins reflect differences in bank characteristics, macroeconomic conditions, existing financial structure and taxation, regulation, and other institutional factors. Using bank data for 80 countries for 1988-95, Demirgüç-Kunt and Huizinga show that differences in interest margins and bank profitability reflect various determinants: * Bank characteristics. * Macroeconomic conditions. * Explicit and implicit bank taxes. * Regulation of deposit insurance. * General financial structure. * Several underlying legal and institutional indicators. Controlling for differences in bank activity, leverage, and the macroeconomic environment, they find (among other things) that: * Banks in countries with a more competitive banking sector-where banking assets constitute a larger share of GDP-have smaller margins and are less profitable. The bank concentration ratio also affects bank profitability; larger banks tend to have higher margins. * Wellcapitalized banks have higher net interest margins and are more profitable. This is consistent with the fact that banks with higher capital ratios have a lower cost of funding because of lower prospective bankruptcy costs. * Differences in a bank's activity mix affect spread and profitability. Banks with relatively high noninterest-earning assets are less profitable. Also, banks that rely largely on deposits for their funding are less profitable, as deposits require more branching and other expenses. Similarly, variations in overhead and other operating costs are reflected in variations in bank interest margins, as banks pass their operating costs (including the corporate tax burden) on to their depositors and lenders. * In developing countries foreign banks have greater margins and profits than domestic banks. In industrial countries, the opposite is true. * Macroeconomic factors also explain variation in interest margins. Inflation is associated with higher realized interest margins and greater profitability. Inflation brings higher costs-more transactions and generally more extensive branch networks-and also more income from bank float. Bank income increases more with inflation than bank costs do. * There is evidence that the corporate tax burden is fully passed on to bank customers in poor and rich countries alike. * Legal and institutional differences matter. Indicators of better contract enforcement, efficiency in the legal system, and lack of corruption are associated with lower realized interest margins and lower profitability. This paper-a product of the Development Research Group-is part of a larger effort in the group to study bank efficiency.

The primary objective of this study is to examine the variables that impact the profitability of UAE banks. The current study provides evidence of important bank-specific, macroeconomic, and industry-specific variables that have affected UAE banks' profitability by analyzing balanced panel data for 2006 to 2013. Both Islamic and non-Islamic, domestic commercial banks are considered for the purposes of this study. This paper puts into relief the determinants of the profitability of the domestic commercial banking sector of the UAE. The sample comprises 19 UAE domestic banks. The paper examines internal variables (company-level indicators), which include size, liquidity, and capital adequacy, as well as external variables, which include macroeconomic and industry-specific variables. Panel data regression analysis is used for the analysis. Based on the empirical analysis, the cost efficiency, nontraditional revenue sources, and high asset quality are the most significant bank-specific variables, and bank managers can use them to make future policy decisions. The GDP, a macroeconomic variable, is found to be relevant to the return on assets and return on equity. The model generated in the study can explain a greater than 75% change in the total variance of various measures of profitability. This paper adds to the body of knowledge by empirically highlighting the most recent and extensive panel data for the entire domestic banking sector of the UAE, undoubtedly one of the most important banking sectors in the Middle East. The paper uses a range of independent variables for the internal, macroeconomic, and industry-specific variables.

Now a day's financial institutions play a significant and irreplaceable role in the growth of financial services which ultimately leads to the overall success of the economy of a country. The very aim of this study was to investigate the key firm specific and macroeconomic determinants of profitability of financial institutions in Ethiopia using balanced panel data from 25 financial institutions (14 banks and 11 insurance companies) covering 12 years of period from 2008 to 2019. Quantitative approach and explanatory design was employed to realize the stated objective. In order to achieve the study objective, secondary data were collected from annual audited financial statements of sampled financial institutions for the stated period. The model results of the study revealed that liquidity ratio, asset tangibility and leverage have positive and statistically significant effect on profitability of financial institutions while firm age and inflation rate have negative and statistically significant effect on the profitability of financial institutions in Ethiopia. However, capital adequacy, size and real GDP growth rate were found to have insignificant effect on the profitability of the sector. Future studies are suggested to be conducted on this research area by incorporating variables that are other than variables used in this study and unlike this particular study, all other financial institutions need to be included.

This paper analyzes the relationship between oil price shocks and bank profitability. Using data on 145 banks in 11 oil-exporting MENA countries for 1994-2008, we test hypotheses of direct and indirect effects of oil price shocks on bank profitability. Our results indicate that oil price shocks have indirect effect on bank profitability, channeled through country-specific macroeconomic and institutional variables, while the direct effect is insignificant. Investment banks appear to be the most affected ones compared to Islamic and commercial banks. Our findings highlight systemic implications of oil price shocks on bank performance and underscore their importance for macroprudential regulation purposes in MENA countries.

Influential Factors on Profitability of Islamic Banks

Determinants of Commercial Bank Interest Margins and Profitability

Do Credit Information Sharing Schemes Matter to Bank Profitability? Evidence from Africa

Non-Performing Loan on Profitability
Financial Structure and Economic Growth
Do Determinants of Bank Profitability Change Over Time? Evidence from India
A GCC Panel Study

This paper analyzes the profitability of 453 commercial banks in Switzerland over the period from 1999 to 2008. In order to take into account the impacts of the recent financial crisis, we additionally consider the pre-crisis period and the crisis years 2007-2008 separately. Our profitability determinants include bank-specific characteristics as well as industry-specific and macroeconomic factors, some of which have not been considered in previous studies. The inclusion of these additional factors as well as the separate consideration of the crisis years allow us to gain new insights into what determines the profitability of commercial banks.

The aim of this study is to examine the effect of bank-specific, industry-specific and macroeconomic determinants of bank profitability, using an empirical framework that incorporates the traditional Structure-Conduct-

Performance (SCP) hypothesis. To account for profit persistence, we apply a GMM technique to a panel of Greek banks that covers the period 1985-2001. The estimation results show that profitability persists to a moderate extent, indicating that departures from perfectly competitive market structures may not be that large. All bank-specific determinants, with the exception of size, affect bank profitability significantly in the anticipated way. However, no evidence is found in support of the SCP hypothesis. Finally, the business cycle has a positive, albeit asymmetric effect on bank profitability, being significant only in the upper phase of the cycle.

This study looks at the determinants of profitability in the GCC banking system over the period 1999 to 2012. Variables which are bank specific, financial sector specific and macroeconomic are used as explanatory variables in the balanced panel regressions. Among the bank-specific variables, capital ratio and credit risk have significant impact on bank profitability. While higher *levels of capital result in higher profitability, credit risk has the opposite impact. Inflation is found to effect bank profitability positively. Two financial sector development variables are used as explanatory variables in the panel regressions. While spread of banking activity has no impact on bank profitability, stock market capitalization as ratio of GDP has a strong positive impact on bank profitability. Bank finance acts a complement to equity financing in GCC banks. Evidence of a strong linkage between stock market capitalization and bank profits during the two financial crisis periods is also presented.*

To contribute to the existing knowledge of bank profitability in Nigeria, this study sought to identify significant company-level determinants of bank profitability. Using a panel data set comprising 91 observations of 33 banks over the 2000-2004 period, regression results reveal that capital size, size of credit portfolio and extent of ownership concentration are significant company-level determinants of bank profitability in Nigeria. Size of *deposit liabilities, labour productivity, state of IT, ownership, control-ownership disparity and structural affiliation are insignificant; and the relationship between bank risk and profitability is inconclusive.*

Profitability Determinants of Savings and Loans Companies in Ghana

Empirical Evidence from Listed Banks of Pakistan

Determinants of Bank Profitability

Panel Evidence on Bank-Specific Variables in Nigeria

What Determines Banks' Profitability? Evidence from Emerging Markets--The Case of the UAE Banking Sector

Bank-Specific, Industry-Specific and Macroeconomic Determinants of Bank Profitability

Selected Determinants of Profitability of the Philippine Trift Banking Industry