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Factors Influence on the Profitability of ABC Bank PLC

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Abstract

In the present context the banking industry in Sri Lanka has become highly competitive. The country is filled with financial institutions more than required to serve the people in Sri Lanka. As a result of the stiff competition between the banks, it has become a real challenge for each of them to earn profit and there are many factors that influence the profitability of the banks. The study is all about the ABC Bank PLC in Sri Lanka and analyzed the determinants which have their impact on the profitability of the bank. There are internal and external variables influencing the profitability of the banking industry. The study especially analyzed the internal determinants which affect the profitability of the bank. There were number of studies done in the past and based on the studies the dependent variable has been identified as Return on Asset in order to measure the profitability and the following variables are identified as independent variables; Total Asset, Non-Interest Income, Cost Income ratio, Equity ratio and Loan Loss Provision/Total Loans. The analysis is done based on the secondary data published by the ABC Bank PLC. The empirical results exhibit the relationship between the dependent variable and the independent variables. Further the recommendations are given based on the empirical results from this study.

Keywords-: Banking Sector, Cost Income Ratio, Equity Ratio, Loan Loss Provision, Non-Interest Income, Profitability, Return On Asset and Total Asset.

1. INTRODUCTION

In the present context, banks are having huge role and responsibility towards the country and its nationals. Actually, banks are the back born of the country's economy. Globalization has connected the banking network immensely and as a result the entire network is very much interconnected. The primary objective of the bank is to maximize their bottom-line. Hence, the banks are compelled to compete with the internal and external forces which prevent them from generate profit. Profitability is very much important to a banking sector. Because it determines the survival of the institution (Dincer et al., 2016). Moreover, it has a huge influence on the expansion of the bank network and growth of the organization. In the investor's perspective, profit plays the key role in their decision making. If the profitability of the bank is not up to expected standards, then the bank will have to encounter many challenges like drop in stock prices, rating sector and etc.

Nevertheless, there are certain banks that failed to overcome these obstacles in their day to day operations. There are number of internal and external determinants that exist (Pasiouras and Kosmidou, 2007). The determinants as follows; Internal determinants: Capital Adequacy, Cost to Income Ratio, Total Assets, Credit Risk, Liquidity Risk, Total Loan, Non-Performing Advances, Provisions, Non-Interest Income. External determinants: Inflation, Broad Money, Competitors, Policy rates, Statutory Reserve requirement and Gross domestic product (GDP).

In Sri Lanka there are 24 numbers of licensed commercial banks and 39 numbers of licensed finance companies are having their foot prints across the island (CBSL, 2021). In addition to that there are number of micro finance institutions which are widely operating their branches across the country. Especially, they are very much active in the rural areas to fund the micro credit activities. The population of the country is around 21.2 million in the year 2016 according to the World Bank's data base (2017) and the head count of the banking population is very limited of the total population of the country. Thus, there are a large number of financial institutions which are fighting for a small target group in order to generate a considerable amount of profit and to sustain their brand for a long period of time in order to attract the local and foreign investors.

The study is about the determinants influencing on the profitability of ABC bank PLC. ABC Bank PLC was incorporated in 1987 and opened business for the public on 24th March 1988. The bank has successfully completed three decades of operations in the Island. Moreover, it is part of a biggest and a successful conglomerate in Sri Lanka. In 2008, the bank faced a sudden shock of public lacking confidence which caused due to crisis faced by one of the connected Companies which is a subsidiary of the said conglomerate. As a result, the bank was pushed to almost

bankruptcy status. With the immediate action taken by the Central Bank of Sri Lanka (CBSL, 2017) the panic was controlled and the public mindset slowly gained back confidence and recorded PAT of 1.2 billion for the first time in its history in the year 2010.

Even though the bank has overcome the crisis, still the profit growth is not in a stable manner. Therefore, it gives an indication that there are some independent variables which are influencing the bottom-line. As a result, it has given a lead to investigate the influential independent variable which affect the profitability of the ABC Bank PLC. As discussed earlier, there are number of variables determine the profitability of the bank. In the recent past there are number of researches (Ayanda, Christopher and Mudashiru, 2013) done related to this topic. With the assistance of the existing literature, this problem is going to be analyzed based on the facts and figures. The study is mainly based on the secondary data published by the bank for the past seven year. In other words, the last thirty interim financial statements were analyzed to arrive the empirical results.

In the present context there is no country exist without the banking system. Banks are the most important to the economy and naturally the prime objective of the bank is to earn more profit. Therefore, profit has an important role in the today's context. The world class banks' also have the restriction in earning the profitability. Hence the profit is decided by many factors around the banking environment and the external environment. It is a compulsion to the banks to identify their strengths and weakness related to the profitability. In Sri Lanka there are twenty four licensed commercial banks operate their branch network across the country. Each and every bank has their own profit target for each year.

The primary objective of this research is to construct a framework related to the profitability and its determinants or the influential factors. The main purpose is to understand the independent variables which influence the dependent variable, in other words profit. With the understanding of this objective, the company can perform well and rectify the lapses exist at present.

Since it is a business research and also there are limited studies done in the Sri Lankan context, this research finding will helpful to a certain extent to the management of the Sri Lankan banks. Further it will be helpful to the academic students and researcher those who are going investigate the similar subject in the future. There can be an in-depth researches based on the above topic in future. Hence this study will be helpful to the business purposes as well as the academic purposes.

2. METHODS

It carries the conceptual framework, hypothesis and the research design to proceed with the perfect data analysis. Even though there are too methods available in collecting the

data, this study has been done based on the secondary data since it is required the ratios and figures related to the bank. The study has been identified the dependent variable and the independent variables which influence the profitability.

2.1 Conceptual framework of the research

The conceptual framework is developed to drive the research on a specific track. It is designed based on the literature review of this study and the relevance tree methodology. In this study there are internal and external variables represented as determinants of profitability. But the internal variables only been taken in to consideration due to various reasons. Based on the conceptual framework the study is going to proceed the data analysis process. Figure 1 exhibits the entire information of the variables identified through the research findings. Further Figure 2 shows the conceptual framework which was selected for this study.

2.2 Development of Hypothesis

The hypothesis has been developed based on the conceptual framework and it is used to identify the relationship between the dependent and the independent variables. i.e. it is used to identify whether there is a relationship between the variables or there is no relationship between the variables. The following hypothesis was developed for this study;

H_1: There is a significant impact of Total Asset of Return on Asset.

$H_{2:}$ There is a significant impact of Non-Interest Income of Return on Asset.

H_3: There is a significant impact of Equity Ratio of Return on Asset.

H_4: There is a significant impact of Cost Income Ratio of Return on Asset.

H_5: There is a significant impact of LLP/TL of Return on Asset.

2.3 Research design

2.3.1 Sampling design

The study is mainly focused on ABC Bank PLC and its profitability determinants. Since it is related to profitability factors, there are number of financial ratios and information are required about the company to do the sampling. Hence it is purely relied on the published data of the company, the quarterly interim financial statements have been collected since March 2010 till the last quarter. In other words, there are 30 numbers of interim financial statements have been taken in to consideration to do this analysis.

2.3.2 Data collection methods and techniques used for research analysis

The data collection method of this study is from secondary data and it has been extracted from the Quarterly Interim Financial Statements of the ABC Bank PLC. In this study there are five numbers of hypothesis analyzed with the technical support of the IBM SPSS software. Further, Descriptive statistic of data, Pearson correlation, significant analysis and the Regression analysis have been

analyzed in a detailed manner. The data analysis mechanism has been carried out with the entire set of variables and the outcome of the said analysis have been explained separately.

3. DATA PRESENTATION AND ANALYSIS

3.1 Analysis of Hypothesis No: 01

The relationship between the Total Assets and the ROA was analyzed as follows;

$H1_a$: There is no relationship between Total Asset and the Return on Asset.
$H1_b$: There is a relationship between Total Asset and the Return on Asset.

In the Figure no 3.1, the Return on Asset (dependent variable) placed in the Y axis and the Total Asset (independent variable) placed in the X axis. The R^2 value interprets the impact of the Total Asset have on the Return on Asset. The R^2 value showed as 0.157 which means 15.7%. It can be interpreted in another way also. i.e. 15.7% of the total profitability has been influenced by the Total Asset of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted R^2 value came from the regression analysis 0.127 which means 12.7% of the total profitability influenced by the Total Asset of the bank. In the above correlation table provides the Pearson Correlation of the Total Asset as 0.396 which is a moderate positive relationship available between the Total Asset and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis $H1_a$ or the alternate hypothesis $H1_b$. In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.03. i.e. the error confidence level is 3% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis $H1_b$ should be accepted and the null hypothesis $H1_a$ should be rejected. It could be interpreted as, there is a moderate positive relationship between the Total Asset and Return on Asset at the 95% confidence level. Hence there is a significant relationship between the two variables. In a nutshell, the Total Asset of the bank is positively contributed towards the profitability of the bank.

3.2 Analysis of Hypothesis No: 02

The relationship between the NII and the ROA was analyzed as follows;

$H2_a$: There is no relationship between Non-Interest Income and the Return on Asset.
$H2_b$: There is a relationship between Non-Interest Income and the Return on Asset.

Data depicted in Figure 3.2 shows that the Return on Asset (dependent variable) placed in the Y axis and the Non-Interest Income

(independent variable) placed in the X axis. The R^2 value interprets the impact of the Non-Interest Income have on the Return on Asset. The R^2 value showed as 0.186 which means 18.6%. It can be interpreted in another way also. i.e. 18.6% of the total profitability has been influenced by the Non-Interest Income of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted R^2 value came from the regression analysis 0.157 which means 15.7% of the total profitability influenced by the Non-Interest Income of the bank. In the above correlation table provides the Pearson Correlation of the Non-Interest Income as 0.431 which is a moderate positive relationship available between the Non-Interest Income and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis $H2_a$ or the alternate hypothesis $H2_b$. In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.017. i.e. the error confidence level is 1.7% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis $H2_b$ should be accepted and the null hypothesis $H2_a$ should be rejected. It could be interpreted as, there is a moderate positive relationship between the Non-Interest Income and Return on Asset at the 95% confidence level. Hence there is a significant relationship between the two variables. In a nutshell the Non-Interest Income of the bank is positively contributed towards the profitability of the bank.

3.3 Analysis of Hypothesis No: 03

The relationship between the Equity Ratio and the ROA was analyzed as follows;

$H3_a$: There is no relationship between Equity Ratio and the Return on Asset.
$H3_b$: There is a relationship between Equity Ratio and the Return on Asset.

In the Figure no 3.3, the Return on Asset (dependent variable) placed in the Y axis and the Equity Ratio (independent variable) placed in the X axis. The R^2 value interprets the impact of the Equity Ratio have on the Return on Asset. The R^2 value showed as 0.001 which means 0.1%. It can be interpreted in another way also. i.e. 0.1% of the total profitability has been influenced by the Equity Ratio of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted R^2 value came from the regression analysis -0.035 which means (-3.5%) of the total profitability influenced by the Equity Ratio of the bank. In the above correlation table provides the Pearson Correlation of the Equity Ratio as 0.027. There is no relationship available between the

Equity Ratio and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis $H3_a$ or the alternate hypothesis $H3_b$. In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.888. i.e. the error confidence level is 88.8% which is higher than the acceptable error confidence level.

Based on the above, the alternative hypothesis $H3_b$ should be rejected and the null hypothesis $H3_a$ should be accepted. It could be interpreted as, there is no relationship between the Equity Ratio and Return on Asset also it not significant since the error confidence level is 88.8%. Hence there is no significant relationship between the two variables. In a nutshell, the Equity Ratio of the bank is not contributed towards the profitability of the bank.

3.4 Analysis of Hypothesis No: 04

The relationship between the Cost Income ratio and the ROA was analyzed as follows;

$H4_a$: There is no relationship between Cost Income Ratio and the Return on Asset.
$H4_b$: There is a relationship between Cost Income Ratio and the Return on Asset.

Data illustrated in Figure 3.4 shows that the Return on Asset (dependent variable) placed in the Y axis and the Cost Income Ratio (independent variable) placed in the X axis. The R^2 value interprets the impact of the Cost Income Ratio have on the Return on Asset. The R^2 value showed as 0.302 which means 30.2%. It can be interpreted in another way also. i.e. 30.2% of the total profitability has been influenced by the Cost Income Ratio of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted R^2 value came from the regression analysis 0.277 which means 27.7% of the total profitability influenced by the Cost Income Ratio of the bank. In the above correlation table provides the Pearson Correlation of the Cost Income Ratio as -0.549 which is a moderate negative relationship available between the Cost Income Ratio and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis $H4_a$ or the alternate hypothesis $H4_b$. In this analysis, the acceptable confidence level is 99%. In other words, the 1% error confidence level could be accommodated. The calculated significant value is 0.002. i.e. the error confidence level is 0.2% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis $H4_b$ should be accepted and the null hypothesis $H4_a$ should be rejected. It could be interpreted as, there is a negative relationship between the Cost Income Ratio and Return on Asset at the 99% confidence level. Hence there is a significant relationship between the two variables. In a nutshell the Cost

Income Ratio of the bank is negatively contributed towards the profitability of the bank.

3.5 Analysis of Hypothesis No: 05

The relationship between the LLP/TA and the ROA was analyzed as follows;

$H5_a$: There is no relationship between LLP/TL and the Return on Asset
$H5_b$: There is a relationship between LLP/TL and the Return on Asset

In the Figure no 3.5, the Return on Asset (dependent variable) placed in the Y axis and the LLP/TL (independent variable) placed in the X axis. The R^2 value interprets the impact of the LLP/TL have on the Return on Asset. The R^2 value showed as 0.162 which means 16.2%. It can be interpreted in another way also. i.e. 16.2% of the total profitability has been influenced by the LLP/TL of the bank. It is a total scale of the relationship between the dependent and independent variable and it does not project the exact relationship between the two variables.

The adjusted R^2 value came from the regression analysis 0.132 which means 13.2% of the total profitability influenced by the LLP/TL of the bank. In the above correlation table provides the Pearson Correlation of the LLP/TL as 0.402 which is a moderate positive relationship available between the LLP/TL and Return on Asset. It is important to identify the confidence level whether to accept null hypothesis $H5_a$ or the alternate hypothesis $H5_b$. In this analysis, the acceptable confidence level is 95%. In other words, the 5% error confidence level could be accommodated. The calculated significant value is 0.027. i.e. the error confidence level is 2.7% which is lower than the acceptable error confidence level.

Based on the above, the alternative hypothesis $H5_b$ should be accepted and the null hypothesis $H5_a$ should be rejected. It could be interpreted as, there is a positive relationship between the LLP/TL and Return on Asset at the 95% confidence level. Hence there is a significant relationship between the two variables. In a nutshell the LLP/TL of the bank is positively contributed towards the profitability of the bank.

4. CONCLUSION

The study is going to conclude with the results from the data analysis. According to the empirical finding of this research, the relationship between the Total assets and the ROA is positive and significant at 95% confidence level. The finding is supported by the argument of Pasiouras and Kosmidou (2007); Smirlock (1985); Bikker and Hu (2002) that the total assets significantly contribute to the profitability in a positive manner. Hence the conclusion of the study is, the total assets of the bank is positively contributed to the profitability of the bank.

According to the empirical finding of this research, the relationship between the NII and the ROA is positive and significant at 95%

confidence level. The finding is supported by the argument of Leea, Yang and Chang (2014); Sufian and Chong (2008) that the NII significantly contribute to the profitability in a positive manner. Hence, the conclusion of the study is, the NII of the bank is positively contributed to the profitability of the bank.

According to the empirical finding of this research, that the Equity ratio and the ROA have no relationship and it is not significant at the 95% confidence level. Hence the conclusion of the study is, the Equity ratio of the bank is not contributed to the profitability of the bank.

According to the empirical finding of this research, the relationship between the Cost Income ratio and the ROA is negative and significant at 99% confidence level. The finding is supported by Tan (2016), Ben-Khediri et *al*. (2008) that the cost income ratio significantly contributes to the profitability in a negative manner. Hence the conclusion of the study is, the Cost Income ratio of the bank is negatively contributed to the profitability of the bank.

According to the empirical finding of this research, the relationship between the LLP/TA and the ROA is positive and significant at 95% confidence level. The finding is supported by the argument of Miller and Noulas (1997), Mustafa, Ansari and Younis (2012) that the LLP/TA significantly contribute to the profitability in a positive manner. Hence the conclusion of the study is, the LLP/TA of the bank is positively contributed to the profitability of the bank.

The summary of the conclusion is, there are variables identified which could increase the profitability of the bank as well as decrease the profitability of the bank.

5. RECOMMENDATIONS

There is a positive relationship between the Total Asset and the profitability. Therefore, it is recommended the bank to increase the asset base in order to boost their profitability. It is observed that the balance sheet of the bank consists a significant portion of the customer loans in the Total Assets side. Hence, it is possible to the bank to increase their loan book to record higher profit in the future.

The NII has a positive relationship with the profitability and it is observed that the mean value of same is 0.2384. In other words, the average NII of the bank is 23.84% of the total revenue. Since the results proven the relationship as positive, it is recommended to concentrate little more in the non-interest income generating activities and it would support to increase the profit figure in future.

The research resulted there is no relationship between the Equity ratio and the profitability. Hence, it is not necessary to take any action immediately at the juncture. When it comes to the cost to income ratio, it is resulted negative relationship between the profitability and cost income ratio. The mean value of cost income is 0.5750. In other

words, the average cost income ratio of the bank is 57.5%. The bank is losing 57.5% of the total revenue. It is a bad sign for an organization like banks. Generally, the banks are tried to maintain the ratio below fifty percentage. Hence, the bank should take serious concern in this matter and implement proper cost-efficient practices in the entire banking system. It could be recommended to employ well trained staff members in the right places and increase the productivity per person. Moreover, the bank should cut down the expenses which is not brining any return to the bank in any form. By implementing proper cost-effective practices would bring higher profit to the organization.

The LLP/TA has a positive relationship with the profitability. The mean value of LLP/TA is 0.0030. Which means the bank maintain the loan loss provision at 0.3%. It is a great achievement of the organization and the bank should sustain this percentage in the future as well. As a result, it would affect the profitability in a positive manner.

Finally, the ROA of the bank, the mean value of the ROA is 0.015 which means the average ROA of the bank is 1.5%. It is recommended to target the ROA at 2% and the bank should work towards to achieve same. They could consider the appropriate recommendations given in this study to implement their strategy towards achieve higher profit target.

APPENDIX

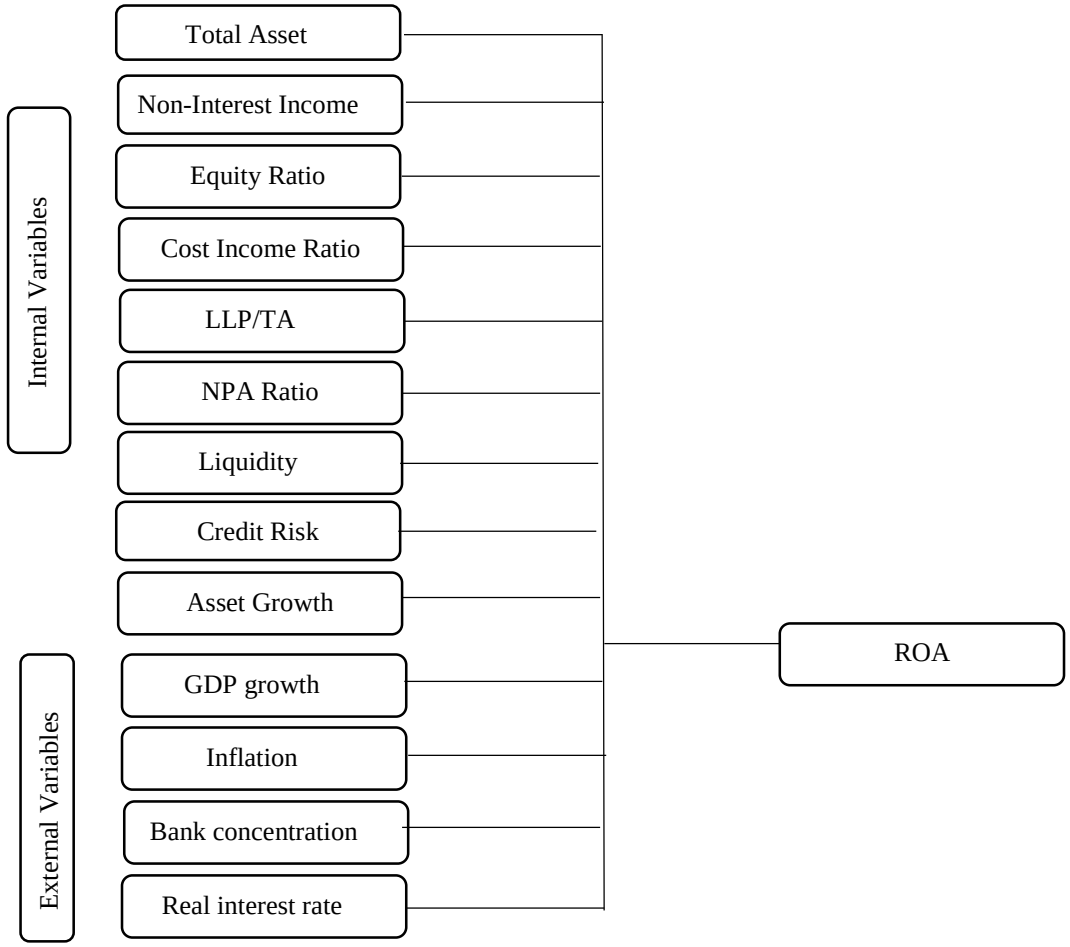

Figure 1: Extracted view of literature review

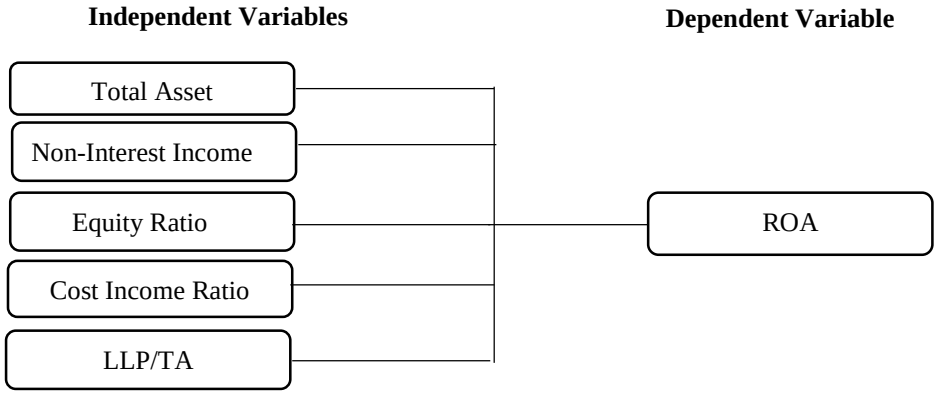

Figure 2: Conceptual Framework

3. Data Presentation and Analysis

3.1 Analysis of Hypothesis No: 01

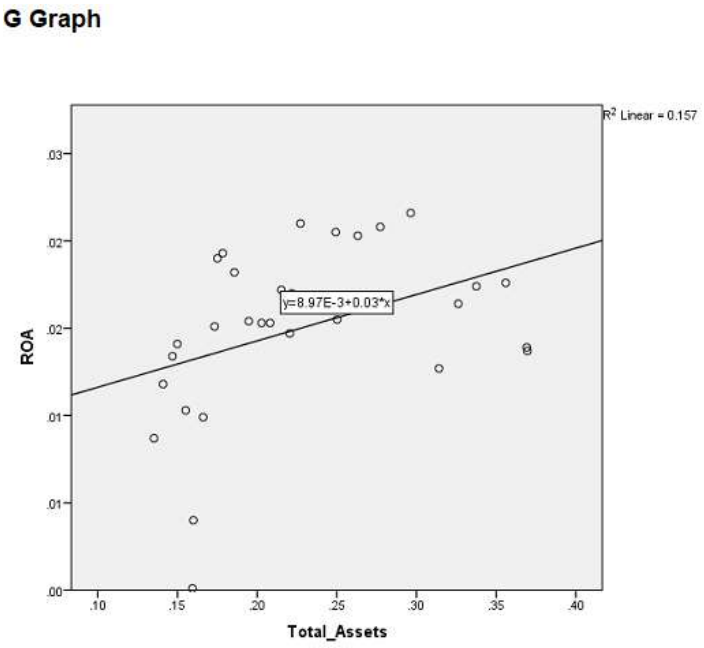

Figure 3.1: Scatter diagram for Total Asset vs Return on Asset

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.1: Descriptive statistic of Total Asset and Return on Asset

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
Total Assets	.2275	.07300	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.2: Correlation outcome of the Total Asset and Return on Asset

Correlations

		ROA	Total Assets
ROA	Pearson Correlation	1	.396*
	Sig. (2-tailed)		.030
	N	30	30
Total Assets	Pearson Correlation	.396*	1
	Sig. (2-tailed)	.030	
	N	30	30

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.3: Regression analysis for the Total Asset and Return on Asset

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.396[a]	.157	.127	.00457

a. Predictors: (Constant), Total Assets

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.4: Regression analysis for the Total Asset and Return on Asset

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	5.222	.030[b]
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Total Assets

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.5: Regression analysis for the Total Asset and Return on Asset

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.009	.003		3.236	.003
	Total Assets	.027	.012	.396	2.285	.030

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

3.2 Analysis of Hypothesis No: 02

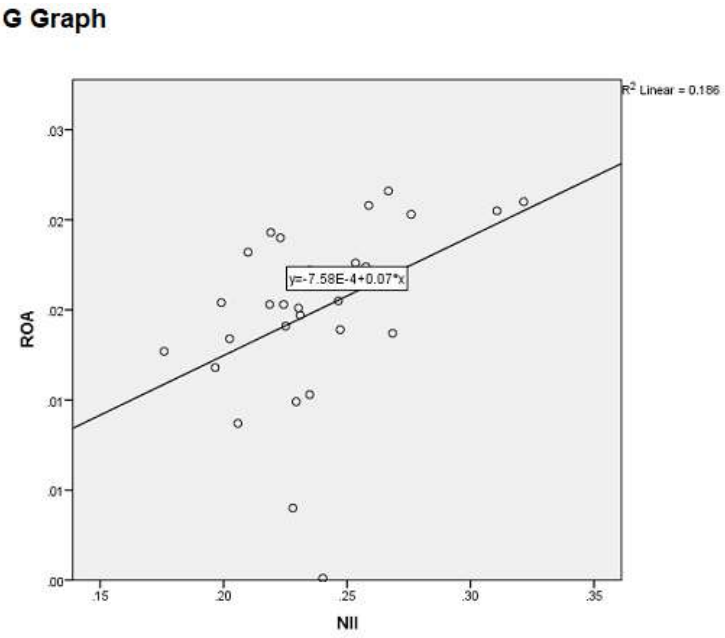

Figure 3.2: Scatter diagram for Non-Interest Income vs Return on Asset

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.6: Descriptive statistics of NII and Return on Asset

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
NII	.2384	.03190	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.7: Correlation outcome of the NII and Return on Asset

Correlations

		ROA	NII
ROA	Pearson Correlation	1	.431*
	Sig. (2-tailed)		.017
	N	30	30
NII	Pearson Correlation	.431*	1
	Sig. (2-tailed)	.017	
	N	30	30

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.8: Regression analysis for the NII and Return on Asset

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.431[a]	.186	.157	.00449

a. Predictors: (Constant), NII

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.9: Regression analysis for the NII and Return on Asset

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	6.404	.017[b]
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), NII

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.10: Regression analysis for the NII and Return on Asset (Coefficients)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.001	.006		-.121	.905
	NII	.066	.026	.431	2.531	.017

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

3.3 Analysis of Hypothesis No: 03

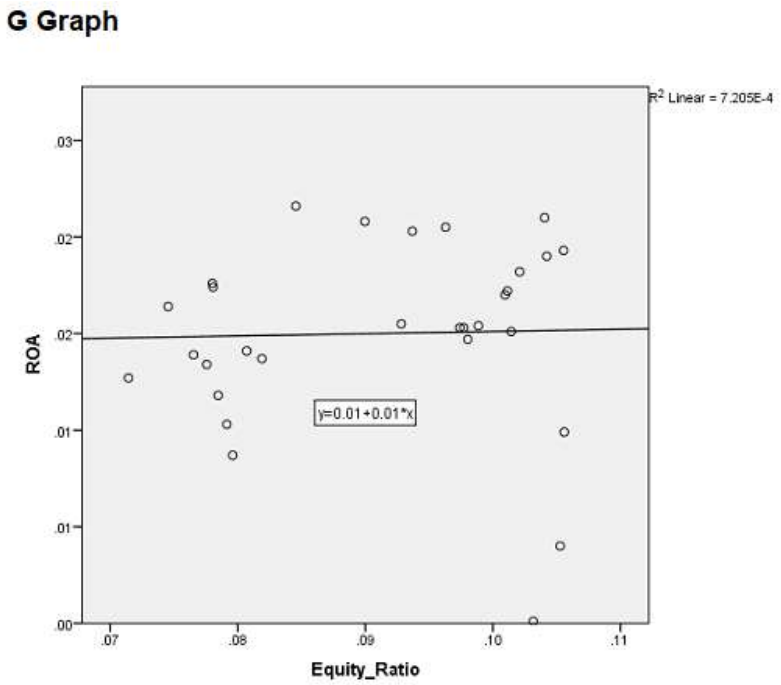

Figure 3.3: Scatter diagram for Equity Ratio vs Return on Asset

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.11: Descriptive statistics of Equity Ratio and Return on Asset

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
Equity Ratio	.0913	.01149	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.12: Correlation outcome of the Equity Ratio and Return on Asset

		ROA	Equity Ratio
ROA	Pearson Correlation	1	.027
	Sig. (2-tailed)		.888
	N	30	30
Equity Ratio	Pearson Correlation	.027	1
	Sig. (2-tailed)	.888	
	N	30	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.13: Regression analysis for the Equity Ratio and Return on Asset

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.027[a]	.001	-.035	.00497

a. Predictors: (Constant), Equity Ratio

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.14: Regression analysis for the Equity Ratio and Return on Asset

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.020	.888[b]
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Equity Ratio

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.15: Regression analysis for the Equity Ratio and Return on Asset

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.014	.007		1.889	.069
	Equity Ratio	.011	.080	.027	.142	.888

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

3.4 Analysis of Hypothesis No: 04

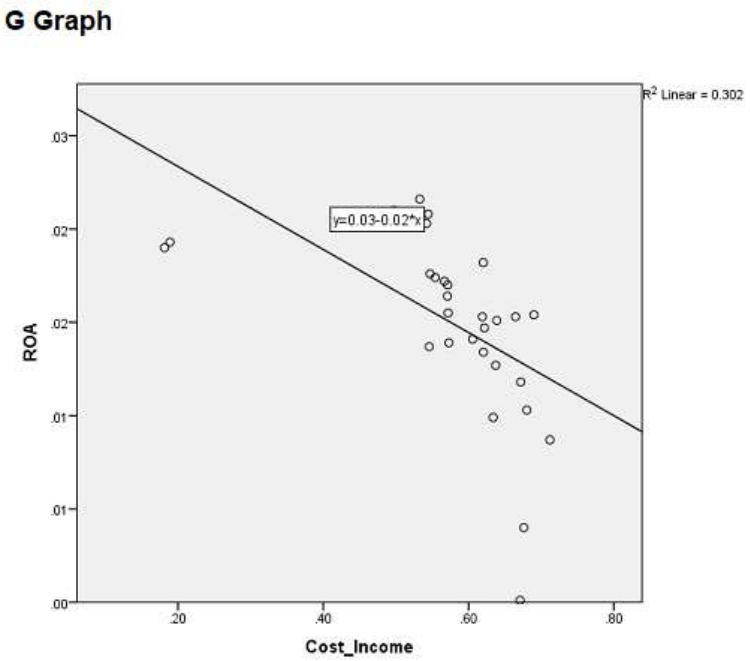

Figure 3.4: Scatter diagram for Cost Income Ratio vs Return on Asset

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.16: Descriptive statistics of Cost Income Ratio and Return on Asset

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
Cost Income	.5750	.12064	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.17: Correlation outcome of the Cost Income Ratio and Return on Asset

Correlations

		ROA	Cost Income
ROA	Pearson Correlation	1	-.549**
	Sig. (2-tailed)		.002
	N	30	30
Cost Income	Pearson Correlation	-.549**	1
	Sig. (2-tailed)	.002	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.18: Regression analysis for the Cost Income Ratio and Return on Asset

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.302	.277	.00416

a. Predictors: (Constant), Cost Income

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.19: Regression analysis for the Cost Income Ratio and Return on Asset

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	12.097	.002[b]
	Residual	.000	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), Cost Income

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.20: Regression analysis for the Cost Income Ratio and Return on Asset

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.028	.004		7.401	.000
	Cost Income	-.022	.006	-.549	-3.478	.002

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

3.5 Analysis of Hypothesis No: 05

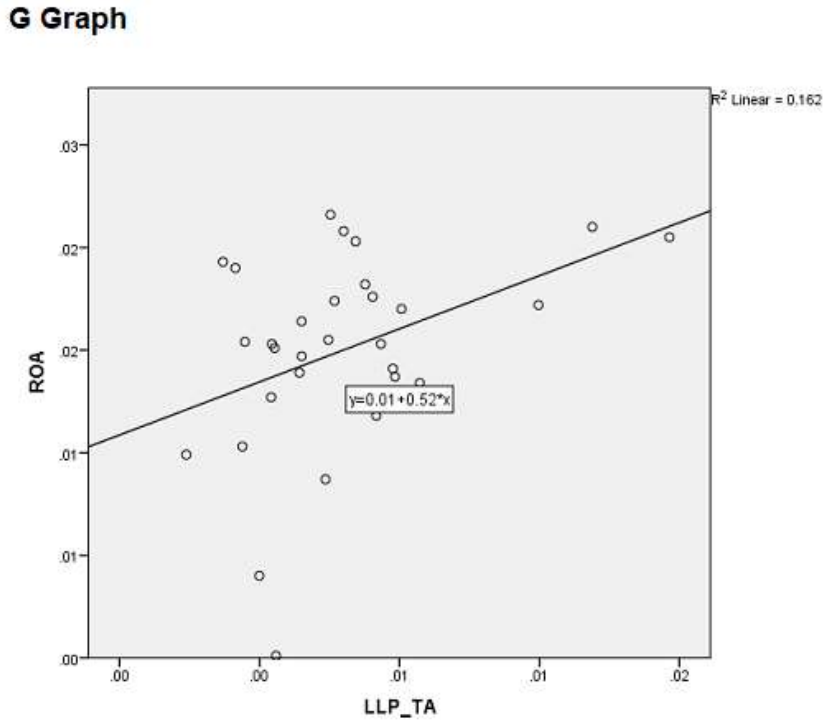

Figure 3.5: Scatter diagram for LLP/TL vs Return on Asset

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.21: Descriptive statistics of LLP/TL and Return on Asset

	Mean	Std. Deviation	N
ROA	.0150	.00489	30
LLP_TA	.0030	.00380	30

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.22: Correlation outcome of the LLP/TL and Return on Asset

		ROA	LLP_TA
ROA	Pearson Correlation	1	.402*
	Sig. (2-tailed)		.027
	N	30	30
LLP_TA	Pearson Correlation	.402*	1
	Sig. (2-tailed)	.027	
	N	30	30

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.23: Regression analysis for the LLP/TL and Return on Asset

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402[a]	.162	.132	.00455

a. Predictors: (Constant), LLP_TA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.24: Regression analysis for the LLP/TL and Return on Asset

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	5.410	.027[b]
	Residual	.001	28	.000		
	Total	.001	29			

a. Dependent Variable: ROA

b. Predictors: (Constant), LLP_TA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

Table 3.25: Regression analysis for the LLP/TL and Return on Asset

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.013	.001		12.603	.000
	LLP TA	.517	.222	.402	2.326	.027

a. Dependent Variable: ROA

Source: Interim financial statements of ABC bank PLC from 2010 to 2017

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