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DETERMINANTS OF FINANCIAL PERFORMANCE OF COMMERCIAL BANKS: EVIDENCE FROM AFGHANISTAN

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ABSTRACT
This article emphasizes the crucial role of commercial banks in shaping a nation's economic landscape, dating back to the Great Depression era. Commercial banks play a vital role in allocating economic resources by facilitating the transfer of funds from depositors to investors, impacting a nation's overall economic expansion. The financial performance of commercial banks, especially in Sub-Saharan Africa (SSA), has been a subject of interest. Commercial banks in SSA, particularly in East Africa, exhibit a remarkable average Return on Assets (ROA) of 2%, attributed to a notable gap between the supply and demand for banking services.
Internal and external factors influence commercial banks' performance, categorized as macroeconomic and bank-specific. The decisions made by boards and management internally impact bank-specific factors, while external factors encompass broader economic influences. The text underscores the interconnectedness of bank profitability with a nation's economic well-being, highlighting the significant role of successful banks in fostering economic growth. The global banking industry, in an era of globalization, requires stakeholders to closely monitor banks' financial performance.

INTRODUCTION

Statements of the problem

The primary issue facing Afghan banks is their restricted access to outside markets, which prevents them from making better and more effective use of their liquidity. Examining the audited financial statements of Afghan banks and contrasting them with those of foreign banks reveals that the profitability of Afghan banks is significantly lower than that of foreign banks (Esmatullah, 2019). The primary cause of international banks' higher profitability is their abundance of investment sources, which come from the central banks of those nations. The instances have been developed in the corresponding bank associations with the US banks having direct aid in the Afghanistan central bank distancing itself from the resultant environment of Afghanistan bank performance systems will definitely have to increase (Noor, 2018). The objectives of the research are identification of the application of profits in Afghanistan banks in determining the factors that lead to banks profitability. Factors significant determining the financial performance are eminent, capital adequacy, customer base, Management efficiency and political stability as key avenues in determining the financial performance (Abdul, 2019). The impasse is hence limited in scope of the operations with no current study to determine the influences to the financial low health of the banks in Afghanistan hence the study.

OBJECTIVES

1) To determine the effect of Capital adequacy on financial performance of commercial banks: evidence from Afghanistan.
2) To examine the effect of Customer base on financial performance of commercial banks: evidence from Afghanistan.

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3) To assess the effect of Management efficiency on financial performance of commercial banks: evidence from Afghanistan.
4) To investigate the effect of Political stability on financial performance of commercial banks: evidence from Afghanistan.

METHODOLOGY

Study design:

The study employed a correlation research design. Correlation studies aim at establishing whether or not and to what extent an association exists between two or more variables (Keitany, 2006). The study involved correlating the different components of determinants and financial performance of Commercial banks: evidence from Afghanistan. The researcher adopted a quantitative research approach using the questionnaire to enable full determination of the relationship of the determinants and financial performance of the commercial banks evidence from Afghanistan. The approach enables attainment of results that can be analyzed and easily interpreted.Therefore, this research design is used because it necessitates gathering data from a wide range of respondents .

Population of the Study

For this study, the researcher target the employees of a commercial bank of Afghanistan from the head office, the study was conducted with accounting officers, and financial managers. The study targets a population of 300 employees from one bank. The population category is deemed significant since it is either directly involved financial performance activities or undertakes the evaluation and determination of factors on the financial performance of the banks in Afghanistan.

Sample Population

The following formula has been used to determine the sample size of a population for this study:

$$n = \frac{Z^2 . P(1-P)}{E^2}$$

n: required sample size

Z: the Z-score corresponding to the desired level of confidence (in this study the confidence level is 90% and the Z-score for will be 1.645)

P: the estimated proportion of the population with a certain characteristic (in this study the portion is 0.5)

E: the margin of error (in this study the error is considered 5%)

$$n = \frac{1.645^2 x 0.5(1-0.5)}{0.05^2}$$

n = 271

Note: In this study, the researcher took 300 samples, which is more than the estimated number for greater confidence.

The table is Showing the sample population of the respondents .

Category	Population	Sample
Bank A	Uknown	300

Sampling Technique

The study adopted a simple random sampling through rotary to attain the entire needed sample; these will be attained through rotary until the employees need attained. Simple random sampling reduces chances of bias inform respondents since the researcher gives every on the study area has equal chance to be selected. To attain equal chance, respondents were randomly selected based on rotary (Mugenda &Mugenda (2007).

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Data Collection Method

The structured questionnaires were used due for ease and convenience in distribution collection, analysis and overall cost-effectiveness in terms of resources utilization and mobilization. The questionnaires were divided into three sections: the first detailed respondents ' demographics; the second focused on factors; and the third addressed financial performance. Mugenda & Mugenda (1999) admit that questionnaires provide in-depth solutions to challenging issues. Depending on the variable, categorical or continuous data was recorded using independent variables. The factors were evaluated using a 5-point Likert-type scale that was adopted by (Ugwuzor, 2014).

$$\mathrm{CVI} = \frac{RQ}{\mathrm{TQ}}$$

Legends: CVI = Content Validity Index

Reliability

The measuring device's consistency is what determines its reliability. This is in line with the findings of Mugenda and Mugenda (2003), who defined dependability as the extent to which a research tool produces consistent data or results following multiple trials. 10% of respondents from any bank in Afghanistan completed the questionnaire beforehand to check reliability. The results were then subjected to the Cronbach alpha method, which is an internal consistency test. According to Amin (2005). The Cronbach‘s Alpha reliability Coefficient (α) calculated by running a statistical test using (SPSS) computer program. The attainment of the cronbach’s value of above 0.7 signify a reliable instrument (Dawson, 2019).

Data Analysis

Response Rate

Here the researcher targeted 300 respondents and managed to attain responses 300 respondents who constitute the rate of 100% respondents who filled and returned the questionnaires from the field.

Factor and Reliability Scales Analysis:

Validity and Reliability

Items		**Item Loading**	**Explained Variance %**
	Capital Adequacy		53.34
CA1	The bank has adequate owner’s equity to run its activities	.793	
CA2	The bank has sufficient short term assets to enable attainment of liquidity	.821	
CA3	The bank has sufficient long term assets to guarantee its continuity	.803	
CA4	The bank has access to finance from the central bank	.897	
CA5	The bank owners have significant stakeholders to enable it operate	.867	
CA6	The bank customers saving are adequate enough to enable its operations	.825	
CA7	The bank profits are adequate enough to ensure its continuity	.853	
	Customer Base		11.30
CB1	The bank products have attracted a lot of customers to the bank	.831	
CB2	The flexibility of this banking services has	.868	

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	enable attaining a large customer base		
CB3	The bank has many branches which has attracted its customers	.821	
CB4	The banking services are timely available and attracted customers	.799	
CB5	The bank get period customer registrations/ accounts opening	.785	
CB6	The bank online services has enabled having many customers	.738	
CB7	Banking activities have provided value for the customers to be more	.607	
	Management Efficiency		12.16
ME1	The bank has a strong management boards for the bank	.701	
ME2	The bank managerial staff are appropriately well	.782	
ME3	The bank audit committees are well established	.727	
ME4	Bank has strong supervisory boards	.805	
ME5	There is timely reporting of the performance to managers	.786	
ME6	The employees on a timely basis report anomalies timely	.813	
	Political Stability		2.342
PS3	There is adequate security for persons and property	.507	
PS4	There are no threats to the government systems in the country	.518	
PS6	Government provide adequate security to the citizens	.559	
	Financial Performance		9.405
FP1	The bank profits for the time has been increasing	.822	
FP2	The bank has conducted cost reduction to attain financial welfare	.894	
FP3	The bank has attained large profits from their sales	.843	
FP4	The bank has got high profits through customer base increment	.824	
FP5	The market share has increased the sales revenue for the bank	.834	
P6	The bank financial health has improved due to interest attained	.855	
FP7	High level customer savings have increased the financial base of the bank	.804	
	Kaiser-Meyer-Olkin Measure of Sampling	.924	

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Adequacy.		
Approx. Chi-Square	11207.816	
P-value		0.000

Source: Primary Data, 2023

Findings in the Table show the validity and reliability of the results, based on the test scales which were above 0.5, the responses from the tests indicate that all items were above 0.5 item factor load value indicating 3 items with The people have a right to vote, The people here have a right to conduct political campaigns, The country is in good terms with her neighbors were removed cause their factor loads were below 0.5. The variables on political stability had three items removed in the study.

Reliability of the Instruments

The reliability of the research instruments was established using Cronbach Alpha Coefficient test. Specifically, this test covered the research items systematically arranged in the questionnaire

Reliability of the Instrument

	Cronbach's Alpha	**N**
Capital adequacy	.940	300
Customer base	.872	300
Management efficiency	.869	300
Political stability	.532	300
Financial Performance	.910	300
Average	**.824**	

Source: Primary data, 2023

The mean for the reliability test was established at 0.845 which was well above 0.70 and therefore the internal consistency (reliability) of the instrument will be confirmed.

Normal distribution results

In determining the normal distribution, the researcher employed skewness and Kurtosis as presented in Table

Distribution of data

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Capital Adequacy	.250	300	.000	.833	300	.000
Customer Base	.204	300	.000	.893	300	.000
Management efficiency	.204	300	.000	.816	300	.000
Political Stability	.304	300	.000	.817	300	.000
Financial Performance	.236	300	.000	.804	300	.000

a. Lilliefors Significance Correction

Source: Primary data, 2023

The study results from the presentation according to Kolmogorov-Smirnov test the significant values for the variables are all below 0.05, meaning that the data presented is normally distributed. On the same context, the assessment of the Shapiro Wilk shows the values of significant at above 0.05. The Shapiro wilk test is normal when the significant values are below 0.05 level of significance. In this case therefore based on both tests one argues that the data is normally distributed hence findings can't be doubted on distribution grounds.

Descriptive statistics on determinants of financial performance of commercial banks: evidence from Afghanistan:

The independent Variable of the study was determinants of financial performance of commercial banks in Afghanistan. In fulfill the three objectives of the study, the researcher first sought to conduct a descriptive

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analysis of the mean and standard deviation and the after conducted the descriptive analysis of the financial performance. Thereafter the researcher conducted a simple linear regression to evaluate the influence of determining factors on financial performance of commercial banks in Afghanistan.

Descriptive statistics on determinants of financial performance of commercial banks: evidence from Afghanistan (n=300)

	Mean	Std. Deviation	Interpretation
The bank has adequate owner's equity to run its activities	4.113	.805	High
The bank has sufficient short term assets to enable attainment of liquidity	4.110	.860	High
The bank has sufficient long term assets to guarantee its continuity	4.163	.795	High
The bank has access to finance from the central bank	4.153	.811	High
The bank owners have significant stakeholders to enable it operate	4.133	.862	High
The bank customers saving are adequate enough to enable its operations	4.190	.797	High
The bank profits are adequate enough to ensure its continuity	4.183	.786	High
Capital Adequacy	**4.149**	**.713**	**High**
The bank products have attracted a lot of customers to the bank	4.130	.899	High
The flexibility of this banking services has enable attaining a large customer base	4.156	.800	High
The bank has many branches which has attracted its customers	4.183	.815	High
The banking services are timely available and attracted customers	4.210	.809	High
The bank get period customer registrations/ accounts opening	2.310	1.334	Low
The bank online services has enabled having many customers	4.110	.956	High
Banking activities have provided value for the customers to be more	4.236	.907	Very High
Customer Base	**3.905**	**.630**	**High**
The bank has a strong management boards for the bank	4.236	.907	Very High
The bank managerial staff are appropriately well	4.270	.799	Very High
The bank audit committees are well established	4.163	.948	High
Bank has strong supervisory boards	4.206	.948	High
There is timely reporting of the performance to managers	4.263	.842	Very High
The employees on a timely basis report anomalies timely	4.253	.874	Very High
Management efficiency	**4.201**	**.769**	High
The people have a right to vote	2.086	1.179	Low
The people here have a right to conduct political campaigns	2.253	1.294	Low
There is adequate security for persons and property	3.793	1.228	Moderately High
There are no threats to the government systems in the country	3.786	1.191	High
Government provide adequate security to the citizens	3.766	1.231	High
The country is in good terms with her neighbors	3.803	1.195	High
Political Stability	**3.248**	**.909**	**Moderately high**

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Overall Mean

Source: Primary data, 2023

Table: Interpretation of Mean Values

Scale	Mean Range	Response	Interpretation
5	4.21-5.00	Strongly agree	Very Good
4	3.41-4.20	Agree	Good
3	2.61-3.40	Not sure	Fairly Good
2	1.81-2.60	Disagree	Poor
1	1.00-1.80	Strongly disagree	Very Poor

The Table show the descriptive statistics on determinants of financial performance of commercial banks: evidence from Afghanistan, the determinants was based on capital adequacy, customer base, management efficiency and political stability were provided as the factors affecting the financial performance of banks in Afghanistan. In the study the firs aspect of the study was capital adequacy which has the mean of M=4.149, the standard deviation was SD=.713 interpreted as high, based on the findings, the researcher contend that the majority respondents are in agreement with the capital adequacy as determining the financial performance of the commercial banks in Afghanistan. The construct of capital adequacy had 6 items which were measured and all the variables provided a response rate of high among the study.

The customer base was a second determinant, just like the first construct, customer base was evaluated based on 7 items, questionnaire responses provided information indicated with the mean of M=3.905, the standard deviation was SD=.630 interpreted as high, based on the study, the researcher contend that the customer base has been generally high, all responses on the items yielded the results interpreted as high. All the aspects of the study provide in the study in regard to the customer base indicated that the customer base for the studies banks was high.

On management efficiency, Management efficiency was structured based on 7 items of the study which sought to evaluate the degree of agreement regarding the management efficiency in the banks in Afghanistan, the researcher found that the mean for the study was M=4.201, the standard deviation was .769 interpreted as high, In the study, the researcher found that the management efficiency among the commercial banks was on overall good. Based on the responses, the researcher contends that the majority respondents are in agreement with the notion that management efficiencies are provided in asserting the performance of the banks.

Political Stability was found to have the mean of M=3.248, the standard deviation was .909 interpreted as moderately high. In this study the researcher provided information based on 6 items of the questionnaire, the questionnaire findings indicated that many respondents agree that the political stability in Afghanistan is fairly good. Majority respondents are in agreement with the notion that political stability in the country is generally in both poor and fair mode, these could be because of the coup that was witnessed in the country late 2021.

Financial performance of commercial banks: evidence from Afghanistan banking sector

Financial performance of commercial banks: evidence from Afghanistan banking sector

	Mean	Std. Deviation	Interpretation
The bank profits for the time has been increasing	4.106	.897	Good
The bank has conducted cost reduction to attain financial welfare	4.123	.838	Good
The bank has attained large profits from their sales	4.186	.791	Good
The bank has got high profits through customer base increment	4.216	.782	Good

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The market share has increased the sales revenue for the bank	4.190	.830	Good
The bank financial health has improved due to interest attained	4.166	.884	Good
High level customer savings have increased the financial base of the bank	4.236	.776	Good
Overall Mean	**4.175**	**.736**	**Good**

Source: Primary data, 2023

The Table show results on the financial performance of commercial banks: evidence from Afghanistan banking sector. In this study therefore, the financial performance for the banks was good based on the mean of 4.175, the standard deviation was .736 interpreted as good. From the study, the researcher contends that the financial performance of the commercial banks is generally good with the respondents deemed good. The financial performance which is the dependent variable was based on sever (7) items and responses provided information for the study based on the information provided in the Table 4.10.

Correlation Analysis

Correlation analysis is performed to determine the relationship between the variables of the study in order to measure the association between the study variables. Correlation analysis was performed and basis of interpretation was the level of significance which was below 0.05 and the argument basis provided for the study to determine the nature of the relationship between the study variables.

Correlation Analysis between the variables of the study

		Capital Adequacy	**Customer Base**	**Management Efficiency**	**Political Stability**	**Financial Performance**
Capital Adequacy	Pearson Correlation	1	.832**	.778**	.020	.887**
	Sig. (2-tailed)		.000	.000	.728	.000
	N	300	300	300	300	300
Customer Base	Pearson Correlation	.832**	1	.758**	.146*	.782**
	Sig. (2-tailed)	.000		.000	.011	.000
	N	300	300	300	300	300
Management efficiency	Pearson Correlation	.778**	.758**	1	.056	.769**
	Sig. (2-tailed)	.000	.000		.334	.000
	N	300	300	300	300	300
Political Stability	Pearson Correlation	.020	.146*	.056	1	.060
	Sig. (2-tailed)	.728	.011	.334		.297
	N	300	300	300	300	300
Financial Performance	Pearson Correlation	.887**	.782**	.769**	.060	1
	Sig. (2-tailed)	.000	.000	.000	.297	
	N	300	300	300	300	300

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**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: Primary data, 2023

The Table findings show Correlation Analysis between the variables of the study. In the study, it was found that Capital adequacy and financial performance of commercial banks in Afghanistan was related (r =.887, p= 0.000< 95% confidence interval. Based on the study, the researcher contends that capital adequacy has a strong relationship with financial performance of commercial banks in Afghanistan.

The Table findings show Correlation Analysis between the variables of the study. In the study, it was found that customer base and financial performance of commercial banks in Afghanistan was related (r =.782, p= 0.000< 95% confidence interval. Based on the study, the researcher contends that customer base has a strong relationship with financial performance of commercial banks in Afghanistan.

The Table further show Correlation Analysis between the variables of the study. In the study, it was found that management efficiency and financial performance of commercial banks in Afghanistan was related (r =.769, p= 0.000< 95% confidence interval. Based on the study, the researcher contends that management efficiency has a strong relationship with financial performance of commercial banks in Afghanistan.

Finally Correlation Analysis between the variables of the study. In the study, it was found that political stability and financial performance of commercial banks in Afghanistan was not significantly related (r =.060, p= 0.292>95% confidence interval. Based on the study, the researcher contends that political stability has a low relationship with financial performance of commercial banks in Afghanistan.

Objective One: Effect of Capital adequacy on financial performance of commercial banks: evidence from Afghanistan

In order to achieve the first objective and fulfill the research objectives, the researcher conducted simple linear regression analysis to determine the association between capital adequacy and financial performance. This is intended to measure the extent to which capital adequacy determines the financial performance of commercial banks in Afghanistan.

Effect of capital adequacy on financial performance of commercial banks: evidence from Afghanistan

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.887[a]	.787	.786	.34089

a. Predictors: (Constant), Capital Adequacy

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	127.627	1	127.627	1098.284	.000[b]
	Residual	34.629	298	.116		
	Total	162.257	299			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Capital Adequacy

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.377	.116		3.240	.001
	Capital Adequacy	.915	.028	.887	33.140	.000

a. Dependent Variable: Financial Performance

Source: Primary data, 2023

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From table 4.12 regarding the effect of capital adequacy on financial performance of commercial banks: evidence from Afghanistan, In the study, the R value is .887[a] on the regression coefficient between capital adequacy and financial performance of banks in Afghanistan. The regression coefficient denotes that 88.7% of the change in financial performance of the banks is caused by capital adequacy. The R^2 was .787 expresses that the change to occur, 78.7% of the data is accounted while adjusted R^2 was .786% In this case therefore capital adequacy affect financial performance of the banks by 78.6% indicating that capital adequacy has a 78.6% effect on financial performance. Based on the standard error estimate which show close scatter of the data indicated that it was .

On the Analysis of Variance, the researcher found that the p-value was .000 and the F- value of 1098.284, the results indicate that capital adequacy has a significant effect on financial performance of banks, because the coefficient of determination is based on 95% confidence interval.

From the coefficient of the independent variables that is; β1 (capital adequacy) is statistically significant at 5% level of significance in explaining variations in financial performance, because the p-value for capital adequacy was .000 which indicate a positive significant effect capital adequacy on financial performance. From the above regression table, the following equation can be derived;

$$FP = .377 + .915\ \mathrm{CA}$$

FP = Financial performance

CA= Capital Adequacy

The interpretation of the above equation is that a unit increases in capital adequacy increases the financial performance rate by .377 units. The results imply that capital adequacy has a statistically significant high effect on the financial performance of the banks in Afghanistan, based on the study, the researcher reject he null hypothesis which was " $H0_1$: There is no statistically significant effect of Capital adequacy on financial performance of commercial banks: evidence from Afghanistan. The findings indicated that there was a high significant effect of capital adequacy on financial performance of the banks.

Objective Two: Effect of customer base on financial performance of commercial banks: evidence from Afghanistan

In order to achieve the second objective and fulfill the research objectives, the researcher conducted simple linear regression analysis to determine the association between customer base and financial performance. This is intended to measure the extent to which customer base determines the financial performance of commercial banks in Afghanistan.

Effect of customer base on financial performance of commercial banks: evidence from Afghanistan

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782[a]	.611	.610	.46001

a. Predictors: (Constant), Customer Base

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.197	1	99.197	468.771	.000[b]
	Residual	63.060	298	.212		
	Total	162.257	299			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Customer Base

Coefficients[a]

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.607	.167		3.638	.000
	Customer Base	.914	.042	.782	21.651	.000

a. Dependent Variable: Financial Performance

Source: Primary data, 2023

From table regarding the effect of customer base on financial performance of commercial banks from Afghanistan, In the study, the R value is .782[a] on the regression coefficient between capital adequacy and financial performance of banks in Afghanistan. The regression coefficient denotes that 78.2% of the change in financial performance of the banks is caused by capital adequacy. The R^2 was .611 expresses that the change to occur, 61.1% of the data is accounted while adjusted R^2 was .610%, In this case therefore customer base affect financial performance of the banks by 61% indicating that customer base has a 61% effect on financial performance. Based on the standard error estimate which show close scatter of the data indicated that it was .46001

On the Analysis of Variance, the researcher found that the p-value was .000 and the F- value of468.771, the results indicate that customer base has a significant effect on financial performance of banks, because the coefficient of determination is based on 95% confidence interval.

From the coefficient of the independent variables that is; β1 (customer base) is statistically significant at 5% level of significance in explaining variations in financial performance, because the p-value for capital adequacy was .000 which indicate a positive significant effect customer base on financial performance. From the above regression table, the following equation can be derived;

$$FP = .607 + ..914\ \mathrm{CB}$$

FP = Financial performance

CB= Customer base

The interpretation of the above equation is that a unit increases in customer base increases the financial performance rate by .607 units. The results imply that customer base has a statistically significant high effect on the financial performance of the banks in Afghanistan, based on the study, the researcher rejects the null hypothesis which was “H01: There is no statistically significant effect of customer base on financial performance of commercial banks: evidence from Afghanistan. The findings indicated that there was moderately high statistically significant effect of customer base on financial performance of the banks.

Objective Three: Effect of management efficiency on financial performance of commercial banks: evidence from Afghanistan

In order to achieve the third objective and fulfill the research objectives, the researcher conducted simple linear regression analysis to determine the association between management efficiency and financial performance. This is intended to measure the extent to which management efficiency determines the financial performance of commercial banks in Afghanistan.

Effect of Management efficiency on financial performance of commercial banks: evidence from Afghanistan

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769[a]	.591	.589	.47201

a. Predictors: (Constant), Management efficiency

ANOVA[a]

Model	Sum of	df	Mean Square	F	Sig.

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		Squares				
1	Regression	95.866	1	95.866	430.297	.000[b]
	Residual	66.391	298	.223		
	Total	162.257	299			

a. Dependent Variable: Financial Performance
b. Predictors: (Constant), Management efficiency

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.059	.153		6.936	.000
	Management efficiency	.736	.035	.769	20.744	.000

a. Dependent Variable: Financial Performance

Source: Primary data, 2023
From table 4.14 regarding the effect of management efficiency on financial performance of commercial banks from Afghanistan, in the study, the R value is .769[a] on the regression coefficient between management and financial performance of banks in Afghanistan. The regression coefficient denotes that 76.9% of the change in financial performance of the banks is caused by management efficiency. The R^2 was .591 expresses that the change to occur, 59.1% of the data is accounted while adjusted R^2 was .59.1%, In this case therefore management efficiency affect financial performance of the banks by 59.1% indicating that management efficiency has a 59.1% effect on financial performance. Based on the standard error estimate which show close scatter of the data indicated that it was .47201, the data closeness was detected.
On the Analysis of Variance, the researcher found that the p-value was .000 and the F- value of 430.297, the results indicate that management efficiency has a significant effect on financial performance of banks, because the coefficient of determination is based on 95% confidence interval.
From the coefficient of the independent variables that is; β1 (management efficiency) is statistically significant at 5% level of significance in explaining variations in financial performance, because the p-value for capital adequacy was .000 which indicate a positive significant effect management efficiency on financial performance. From the above regression table, the following equation can be derived;

$$FP = 1.059 + .736\ \mathrm{ME}$$

FP = Financial performance
ME= Management Efficiency
The interpretation of the above equation is that a unit increases in management efficiency increases the financial performance rate by 1.059 units. The results imply that management efficiency has a statistically significant high effect on the financial performance of the banks in Afghanistan, based on the study, the researcher rejects the null hypothesis which was "H01: There is no statistically significant effect of management efficiency and financial performance of commercial banks: evidence from Afghanistan. The findings indicated that there was moderately high statistically significant effect of management efficiency on financial performance of the banks.
Objective Four: Effect of Political Stability on financial performance of commercial banks: evidence from Afghanistan
In order to achieve the fourth objective and fulfill the research objectives, the researcher conducted simple linear regression analysis to determine the association between Political stability and financial performance. This is intended to measure the extent to which political stability determines the financial performance of commercial banks in Afghanistan.
Effect of Political stability on financial performance of commercial banks: evidence from Afghanistan

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Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.060[a]	.004	.000	.73654

a. Predictors: (Constant), Political Stability

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.593	1	.593	1.093	.297[b]
	Residual	161.664	298	.542		
	Total	162.257	299			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Political Stability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.016	.158		25.429	.000
	Political Stability	.049	.047	.060	1.045	.297

a. Dependent Variable: Financial Performance

Source: Primary data, 2023

From table 4.15 regarding the effect of political stability on financial performance of commercial banks from Afghanistan, in the study, the R value is .060[a,] on the regression coefficient between management and financial performance of banks in Afghanistan. The regression coefficient denotes that 6% of the change in financial performance of the banks is caused by political stability. The R^2 was .004 expresses that the change to occur, 0.4% of the data is accounted while adjusted R^2 was .000; In this case therefore political stability has had very low effect financial performance of the banks in Afghanistan. Based on the standard error estimate which show close scatter of the data indicated that it was .73654, the data closeness was detected.

On the Analysis of Variance, the researcher found that the p-value was .297 and the F- value of 1.093, the results indicate that political stability has very low and non significant effect on financial performance of banks, because the coefficient of determination is based on 95% confidence interval.

From the coefficient of the independent variables that is; β1 (political stability) is not statistically significant at 5% level of significance in explaining variations in financial performance, because the p-value for capital adequacy was .000 which indicate a positive significant effect management efficiency on financial performance. From the above regression table, the following equation can be derived;

$$FP = 4.016 + .049\ \mathrm{PS}$$

FP = Financial performance

PS= Political Stability

The interpretation of the above equation is that a unit increases in political stability increases the financial performance rate by 4.016 units. The researcher accepts the null hypothesis which was “H01: There is no statistically significant effect of management efficiency and financial performance of commercial banks: evidence from Afghanistan. The findings indicated that there was no statistically significant effect of political stability on financial performance of the banks.

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RESULTS AND DISCUSSION

This section was further organized into three subsections with respect to the research objectives that guided the study.

Effect of Capital adequacy on financial performance of commercial banks: evidence from Afghanistan

Capital adequacy has a statistically significant high effect on the financial performance of the banks in Afghanistan, based on the study, the researcher rejects the null hypothesis. The findings indicated that there was a high significant effect of capital adequacy on financial performance of the banks. The findings are in agreement with those of Zahid's (2015) study, the capital adequacy behavior of Pakistan's banking sector was examined from 2004 to 2009, during which time it faced various regulatory pressures, especially while a worldwide crisis was brewing at the time. The study focused on examining the precise responses of institutions to changes in regulatory capital requirements. The study discovered a statistically significant and favorable correlation between capital ratio and return on assets. This has to do with the fact that banks rely more on retained earnings to raise capital. The results are in agreement with those of Agbeja, Adelakun, and Olufemi (2015) who investigate the relationship between bank profitability and the capital adequacy ratio. The impact of the capital adequacy ratio on banks' exposure to credit risk is also examined in this study. Utilizing secondary data from commercial banks' financial statements, the study demonstrates a strong and positive correlation between capital sufficiency and bank profitability. This implies that banks with larger equity capital are thought to be safer, and having this advantage can lead to increased profitability. Even in agreement with those of Ini and Eze (2018) conducted a study to investigate the impact of capital adequacy regulations on the performance of commercial banks operating in Nigeria. Data on commercial banks from 1986 to 2016 were analyzed using the ordinary least squares regression approach. The data were taken from the NDIC and CBN Annual and Bank Supervision Reports. The findings demonstrate that adequate capital has a positive impact on Nigerian commercial banks' financial performance.

Effect of Customer base on financial performance of commercial banks: evidence from Afghanistan

The results indicate that the customer base has a statistically significant high effect on the financial performance of the banks in Afghanistan. The findings indicated that there was moderately high statistically significant effect of customer base on financial performance of the banks. The findings are agreement with Mwangi, Makau, and Kosimbei (2014) determined the impact of bank size (total asset) on the financial performance of commercial banks in Kenya. The study's findings demonstrated that total assets increased ROA and ROE. The study also discovered that a bank's financial performance increases with its size. The results are in association with those of Raza et al. (2019) investigated the connection between the profitability of banks and features unique to them, such as asset size, capital adequacy, loans to consumers, and deposit rates. The data analysis's conclusions show that, whereas client deposits have no appreciable impact on Pakistani banks' profitability, asset size has an inverse association with profitability.

Effect of Management efficiency on financial performance of commercial banks: evidence from Afghanistan

Management efficiency has a statistically significant high effect on the financial performance of the banks in Afghanistan, based on the study, the researcher rejects the null hypothesis which was "H01: There is no statistically significant effect of management efficiency and financial performance of commercial banks: evidence from Afghanistan. The findings indicated that there was moderately high statistically significant effect of management efficiency on financial performance of the banks. The findings are in agreement with those of Jeevan (2015) who examined Indian banks' financial results. The study discovered that winning over depositors' faith and trust is crucial to any bank's performance. The report also states that the credit appraisal procedure must be used to decrease non-performing assets. The banks must rely less on borrowing and more on deposit money. The results also show that credit worthiness has decreased and total commercial bank deposits have decreased. Even in agreement with those of Soni (2012) found that the effectiveness of the Indian banking

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industry is directly impacted by human resource management. While HRM is easier to manage in private banks, it is more challenging in public sector banks (PSB). Indian banks should have the necessary software, supporting infrastructure, and comprehensive and adaptable HR system rules for efficient and effective management that will increase productivity and profitability.

Effect of Political stability on financial performance of commercial banks: evidence from Afghanistan.
The study found that management efficiency has no statistically significant effect on financial performance of commercial banks in Afghanistan. The researcher accepts the null hypothesis which was "H01: There is no statistically significant effect of management efficiency and financial performance of commercial banks: evidence from Afghanistan. The findings indicated that there was no statistically significant effect of political stability on financial performance of the banks. The findings are in disagreement with Aisen and Veiga (2013) also tested the association between political instability and the growth ot the economic for 169 economies for the period of 1960 to 2004 using a system-GMM estimator. This study reported that political instability may negatively affect growth by decreasing the proportions of productivity growth. Even in agreement with those of Brini and Jemmali (2016) who examined the relation between political instability for Tunisian bank stability. GARCH and E-GARCH models were applied on the data for the period 2009-2012. The findings showed that the Tunisian banking system were more stable during the political stability period. Furthermore, Political instability on economic growth was examined by Azez (2013) in Iraq. The study indicated that political instability had a significant impact in declining economic growth as well as increases the inflation percentage

Conclusion

The study was to assess the determinants of financial performance of commercial banks: evidence from Afghanistan. The objectives were to determine the effect of Capital adequacy on financial performance of commercial banks: evidence from Afghanistan. The Objectives of the study was to capital adequacy is statistically significant relationship with the financial performance. The results indicate that capital adequacy in commercial banks in Afghanistan can drive the financial performance information for the banks in Afghanistan. Therefore improved capital adequacy is key in realization of the financial performance.
The results indicate that the customer base has a statistically significant high effect on the financial performance of the banks in Afghanistan. The findings indicated that there was moderately high statistically significant effect of customer base on financial performance of the banks. Based conclude that customer base for the banks are statistically related to the financial performance. In the realization of the financial performance of the banks have been realized through the banks customer bases which have significantly increased. In the provision of information customer bases growth is significant in determining financial performance.
The findings on whether Management efficiency affects the financial performance of commercial banks: evidence from Afghanistan. In this study, its concluded that management competencies through bodies and administrative provision enhancements is fundamental in the realization of the goals and objectives of the organizations, therefore the mechanisms for the competencies in management.
The study concludes that Political stability of Afghanistan has not affected financial performance of commercial banks: evidence from Afghanistan. The findings indicate that political stability has provided a very low effect. The political stability in the country is significant in realization of the financial performance. In this stance therefore, the political instability has generally not provided.

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