Research Paper
Leveraging Capital Structure for Profitability: Insights from Nepal's Commercial Banks

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Abstract

This study aims to examine the relationship between capital structure components and profitability in Nepalese commercial banks. Specifically, it explores how debt management, measured through variables like Debt-to-Asset Ratio (DTA), Short-Term Debt Ratio (STDR), Long-Term Debt Ratio (LTDR), and Total Debt-to-Equity Ratio (TDE), influences profitability indicators such as Return on Equity (ROE) and Earnings Per Share (EPS). A descriptive and causal-comparative research design is employed, analysing secondary data from four leading Nepalese commercial banks—Prime Commercial Bank, Himalayan Bank, NABIL Bank, and Prabhu Bank—over a 10-year period. Regression and correlation analysis are conducted to investigate the relationships between the independent variables (DTA, STDR, LTDR, TDE) and the dependent variables (ROE, EPS). The results reveal that DTA, STDR, and LTDR exhibit weak and statistically insignificant correlations with ROE. In contrast, TDE shows a significant positive relationship with both ROE and EPS, suggesting that a higher Debt-to-Equity Ratio improves profitability. For practitioners, the study suggests that commercial banks should focus on optimising their debt-to-equity ratios to enhance profitability. The limited influence of other debt ratios (DTA, STDR, LTDR) implies that TDE should be a primary focus in capital structure management strategies. Effective debt management strategies that improve bank profitability could contribute to overall economic growth, enhance financial stability, and create better opportunities for financial inclusion in Nepal. This study contributes to the limited body of research on the relationship between capital structure and profitability in Nepalese commercial banks, offering fresh insights into how different debt ratios impact financial performance. Its focus on long-term data from key banks provides a robust analysis of capital structure dynamics in the region.

Keywords*:* Return on equity, earning per share, total debt to assets ratio, short-term debt ratio, long-term debt ratio, and total debt equity.

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Introduction
This study focuses on the profitability and capital structure of listed banks in the banking industry. One of the most important subjects for finance academics is capital structure.

According to Saad (2010), capital structure refers to a company's method of financing its assets through a combination of debt, equity, and hybrid securities. The notion is commonly defined as the amalgamation of debt and equity that constitutes an organisation's overall capital. Managers of corporations decide strategically what proportion of debt to equity to use. Given that it directly affects an organisation's profitability, the choice of capital structure is essential. As a result, selecting a capital structure requires significant thought. The statement of affairs shows the entire state of an organisation's assets and liabilities. Capital is an essential part of that statement.

Much emphasis has been paid in the finance literature on the relationship between capital structure and profitability. However, the topic hasn't got much attention from researchers in the context of the banking industry (Taani, 2013). Amanuel (2011) provided evidence from Addis Ababa City's manufacturing share companies; Ashenafi (2005) examined a case study of small and medium-sized enterprises; and Bayeh (2011) examined an Ethiopian insurance company. These are just a few of the studies conducted in Ethiopia regarding the factors that influence capital structure and profitability, each with its distinct researcher. Furthermore, Weldemikael (2012) investigated the factors influencing Ethiopian commercial banks' capital structures, and Amdemikael (2012) evaluated the elements influencing banks' profitability. However, nobody brought up the subject of banks' primary business profitability. Therefore, to the best of the researcher's knowledge, no studies have been done on the topic of "The Impact of Capital Structure on Profitability of Commercial Banks in Ethiopia," which focuses solely on the instance of Ethiopian commercial banks and emphasizes the profitability of core business operations. Consequently, there are compelling reasons for a separate investigation into the effect of capital structure on profitability of banks in Ethiopia with appropriate focus on the particulars of the financial structure of Ethiopian banks and the environment in which they operate. Therefore, the purpose of this study is to investigate how capital structure and financing decisions affect Ethiopia's commercial banks' profitability, with a focus on the profitability of their primary business operations.

Literature Review
Sahibzada(2022) showed research on the impact of capital structure on profitability of commercial banks in Afghanistan. This study investigates the effect of capital structure on the profitability of commercial banks in Afghanistan. To achieve the objective, a quantitative method was used. The panel data was extracted from the audited financial statements of nine commercial banks from 2013-2017. The linear regression model was employed to analyse the panel data using the SPSS 22.0 statistical package. The evidence of this study shows that the capital of commercial banks in Afghanistan mostly relies on deposit liabilities. Furthermore, it shows that these banks are highly leveraged. The findings of this study also indicate that the ratio of debt to total assets (capital structure determinate) and a statistically insignificant positive relationship with net interest margin (profitability measurement). On the other hand, loan to deposit and deposit to asset significantly affect the net interest margin of commercial banks, while asset size and growth have been correctly and correctly decided while preparing the financing structure.

Pham et al. (2022) investigated the effect of capital structure on bank profitability: Vietnam as a case study. Persuasive finding out how capital structure affects the profitability of Vietnamese commercial banks is the aim of this study. With reference to an unbalanced panel data set of

Vietnamese commercial banks, it specifically examines the relationship between capital structure and profitability from 2012 to 2018, which is a crucial time frame for putting the Prime Minister's decision (254/QD-TTg) on restructuring the country's commercial banking system into effect. The authors use non-deposit liabilities and client deposits to illustrate the capital structure of Vietnamese commercial banks. The study's conclusions, which are based on data from 30 Vietnamese commercial banks, show that non-deposit liabilities have a positive impact on bank profitability while client deposits have a negative one. The results of the study suggest that in order to ensure the quality of assets and loans, Vietnamese commercial banks should carry out more comprehensive and fair assessments before lending. To guarantee the bank's asset quality, a more comprehensive examination of long-term loans and investment projects is also necessary.

Ayalew (2021) research on capital structure and profitability using panel data from Ethiopian private banks was conducted. Using panel fixed effects, the paper primarily examined the empirical link between capital structure—as determined by the total and short-term debt ratios—and profitability of Ethiopian private banks from 2013–14 to 2018–19. An analysis of sixteen private banks is part of the research. A significant portion of the variability in bank profitability can be explained by capital structure variables and some bank-specific characteristics, according to the results of the regression analysis. Higher loan-to-deposit ratios, total and short-term debt ratios, and credit risks are typically linked to higher profitability metrics like ROA and net interest margin. Furthermore, from a profitability standpoint, older banks are in a better position than younger ones. It appears that Ethiopian private banks are not functioning to their full potential because of the scale effect, at least when it comes to the ROA model.

Bhatt and Jain (2020) demonstrated an investigation of the profitability and capital structure of Nepal's commercial banks. A solid banking system is one of the most important components of a nation's financial development. Pakistan's Islamic banking sector has expanded significantly in the last several years. But in terms of its financial stability, it confronts numerous difficulties. The goal of the current study is to investigate how working capital and financial structure affect the profitability of Pakistan's banking industry. A generalised least squares (GLS) estimate approach was employed in the study from 2008 to 2014 for 15 conventional banks and 5 Islamic banks. The dependent variables are Net Income (NI), Return on Equity (ROE), and Return on Assets (ROA). The percentage of cash provided by bank creditors and working capital are employed as independent variables. To reduce heterogeneity and co-linearity across variables, control variables such as bank size, deposit ratio, GDP, and inflation (CPI) are employed. According to a study, Islamic and conventional banks' profitability declines when working capital increases. Financial leverage, on the other hand, positively and statistically significantly affects the profitability of Islamic banks and conventional banks in the opposite way.

Otekunrin et al. (2020) performed a study on Nigerian deposit money banks' capital structure and profitability. The objective of this study was to investigate, using empirical data, the degree to which capital structure affects the profitability of Nigerian deposit money banks, taking into

account the 16-year period from 2003 to 2018. This investigation used a descriptive research methodology, and regression analysis was used to examine the data. Indicators of capital structure (debt-equity ratio and leverage ratio) and profitability (returns on equity) were shown to be negatively correlated, according to the study's findings. This indicates that using debt in an

inappropriate ratio in conjunction with equity (the debt-equity ratio and leverage ratio) as a financing strategy can have a detrimental effect on profitability.

Zaman et al. (2020) presented a study on the relationship between profitability and capital structure from the perspective of two banks. This research examines the relationship between Islamic and conventional banks that are listed on the Karachi Stock Exchange's capital structure and profitability. Data for 250 observations between 2006 and 2016 were taken from the banks' financial statements. The suggested association is verified in the paper by regression analysis. In conventional banks, there was no discernible association between return on equity (ROA) and debt-to-equity (D/E) ratio; however, in Islamic banks, there was a strong correlation. The results can be explained by the differing deposit procedures used by the two systems; Islamic banks, on the other hand, only write current accounts down as debts, but the traditional banking system views all deposits as bank liabilities.

Research Methodology
The research methodology serves as the overarching strategy that outlines the approach to conducting research, specifying the methods to be employed. Essentially, it serves as a systematic process for addressing a problem, encompassing the organized collection, recording, analysis, interpretation, and reporting of information related to various aspects of the phenomenon under scrutiny. It prescribes the specific nature and procedure to be followed throughout the research process. This study has utilised a descriptive research design and causal-comparative research design to address the issues raised in the study that impact the performance of the selected commercial banks in Nepal. This study is based on secondary data from 4 Commercial of Nepal from 2070/71 to 2079/80 leading to a total of 40 observations of selected development banks which are Prime Commercial, Himalayan, NABIL, and Prabhu Bank. The main sources of data are as follows: The population of this study consists of all the data points or observations relevant to the financial performance, risk management indicators, and other variables of the whole Nepalese Banking Industry. Similarly, the sample in the present study is collected from selected Commercial Banks (selected among 20 commercial banks).

Figure 1, Conceptual Framework
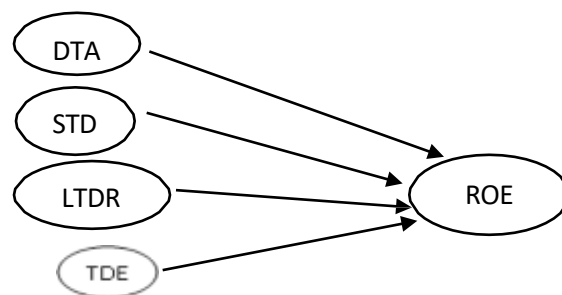
The primary objective of this study is to investigate the correlation between Capital Structure Management and bank performance within the Nepalese banking context. To elucidate the relationship between Capital Structure Management and bank performance, the study employs the following models.

Model 1: In this model, the dependent variable is the return on equity, and the independent variables encompass DTA, STDR, LTDR and TDE

$$ROE = \beta0 + \beta1DTA + \beta2STDR + \beta3LTDR + \beta4TDE + e$$

Where,

DTA= Debt to Assets
STDR = Short-Term Debt Ratio
LTDR = Long-Term Debt Ratio
TDE = Total Debt to Equity Ratio
ROE = Return on Equity

Results

A correlation analysis focusing on return on equity (ROE) as the dependent variable and four independent variables representing various aspects of capital structure: total debt to assets ratio (DTA), short-term debt ratio (STD), long-term debt Ratio (LTD), and total debt to equity ratio (TDE). Understanding these correlations is essential for unraveling the complex interplay between capital structure management and profitability.

Table 1. Descriptive Statistics and Correlation

	Mean	SD	ROE	DTA	STDR	LDTR	TDE
ROE	15.282	6.65357	1				
DTA	0.89283	0.31615	0.037	1			
STDR	0.883	0.2221	-0.152	0.212	1		
LTDR	-0.0022	0.20425	0.171	-0.06	-0.937**	1	
TDE	9.05101	0.20425	0.422**	0.366**	0.225	-0.106	1

*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.001 level (2-tailed).

ROE and DTA (Debt to Assets Ratio): Correlation Coefficient 0.037 indicated that there is a very weak positive correlation between ROE and DTA. This suggests that as the debt-to-assets ratio increases, the return on equity slightly increases, but the relationship is not strong. The correlation is not statistically significant at the 0.05 level.

ROE and STDR (Short-term Debt Ratio): The Correlation Coefficient -0.152 showed that there is a weak negative correlation between ROE and STDR. This means that as the short-term debt ratio increases, the return on equity tends to decrease slightly. However, the correlation is not statistically significant at the 0.05 level.

ROE and LTDR (Long-term Debt Ratio): The Correlation Coefficient -0.171 indicated that there is a weak negative correlation between ROE and LTDR. This suggests that an increase in the long-term debt ratio is associated with a slight decrease in return on equity. Like the other coefficients,   this   correlation   is   not   statistically   significant   at   the   0.05   level

ROE and TDE (Total Debt to Equity): Correlation Coefficient 0.422 showed that there is a moderate positive correlation between ROE and TDE. This means that as the total debt-to-equity ratio increases, the return on equity tends to increase as well. This correlation is statistically significant at the 0.01 level (indicated by 0.422 *), suggesting a stronger and more reliable relationship compared to the others. Significance Levels Significance at 0.05 levels: this means there is a 5% chance that the observed correlation is due to random variation, rather than an actual relationship. Significance at 0.01 levels: this means there is a 1% chance that the observed correlation is due to random variation, indicating very strong evidence against the null hypothesis of no correlation. In Summary, Table 1 represents the DTA has a very weak and insignificant positive correlation with ROE.STDR and LTDR both have weak and insignificant negative correlations with ROE.TDE shows a moderate and significant positive correlation with ROE, indicating a meaningful relationship where increases in total debt to equity ratio are associated with higher returns on equity.

Table 2. Regression Analysis of Return on Equity

Model	R	R Square	Adjusted R Square	S.E of Estimate
1	.502[a]	.252	.166	6.075329

Table 3. ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	434.694	4	108.673	2.944	.000[b]
	Residual	1291.837	36	36.910		
	Total	1726.530	40			

a. Predictors : (Constant), TDE, LDTR, DTA, STDR

Table 4. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
	(Constant)	17.769	27.803		.639	.527
	DTA	-17.483	35.513	-.083	-.492	.626
	STDR	-11.022	14.415	-.368	-.765	.450
	LTDR	-4.034	15.206	-.124	-.265	.792
	TDE	2.524	.786	.522	3.211	.003

Dependent Variable: Return on Equity

The regression analysis summarised in Tables 2, 3, and 4 explores the intricate relationship between various components of capital structure and Return on Equity (ROE). In this context, total debt-to-assets ratio (DTA), short-term debt ratio (STDR), long-term debt Ratio (LTDR)

and total debt-to-equity ratio (TDE) are the independent variables, while ROE serves as the dependent variable. The objective of the analysis is to uncover how the management of capital structure influences the profitability metric of Return on Equity.

The model summary provides a thorough rundown of the regression model's performance, starting with Table 2. The R model's correlation coefficient is 0.502, which suggests that the predictors and the dependent variable have a moderately linear connection. With an R square coefficient of determination of 0.252, the model accounts for about 25.2% of the variation in ROE. The adjusted R-squared of 0.166 shows that the independent variables can account for about 16.6% of the variability in return on equity (ROE), but a sizable portion of the variability cannot be explained by this model, suggesting that other factors may also be important in determining ROE. The estimated standard error (S.E.) is 6.075329, giving an indication of how far the observed values typically deviate from the regression line.

Moving on to Table 3, the ANOVA table provides insights into the statistical significance of the regression model. The significant F-statistic (2.944) with a p-value of .000 indicates that the overall model is statistically significant. This suggests that at least one of the independent variables significantly contributes to the variability observed in ROE. The Regression Sum of Squares (434.694) represents the variability explained by the model, while the Residual Sum of Squares (1291.837) captures the unexplained variability. The total sum of squares (1726.530) represents the overall variability in the dependent variable.

Table 4, the Coefficients table, delves deeper into the impact of each independent variable on ROE. It provides information on the unstandardized coefficients, standardized coefficients (Beta), t-values, and their significance.

Constant: The constant term, represented by a B value of 17.769 with a standard error of 27.803, suggests the estimated value of ROE when all independent variables are zero. The t-value of 0.639 with a p-value of 0.527 indicates that the constant term is not statistically significant at the conventional 0.05 level.

Total Debt to Assets Ratio (DTA): The unstandardized coefficient of -17.483 indicates that, on average, for a one-unit increase in the total debt to assets ratio, ROE is expected to decrease by 0.083 units. The standardized coefficient (Beta) of -0.083 suggests negative impact of the total debt to assets ratio on ROE. The p-value of 0.626 is not statistically significant at the conventional 0.05 level, indicating that the impact of total debt to assets ratio on ROE might be less pronounced compared to other variables.

Short-term Debt Ratio (STDR): The unstandardised coefficient (B) of -11.022 suggests that, on average, for a one-unit increase in short-term debt ratio, ROE is expected to decrease by 0.368 units. The standardised coefficient (Beta) of -0.368 indicates a negative impact of short-term debt ratio on ROE. The p-value of 0.450 is statistically not significant at the 0.05 level, providing evidence of the significant contribution of short-term debt to explaining variability in ROE.

Long-term Debt Ratio (LTDR): The unstandardised coefficient of -4.034 suggests that, on average, for a one-unit increase in long-term debt ratio, ROE is expected to decrease by 0.124 units. The standardized coefficient (Beta) of -0.124 indicates a negative impact of the long-term debt ratio on ROE. The p-value of 0.792 is statistically not significant at the 0.05 level, suggesting that the long-term debt ratio does not significantly contribute to explaining the variability in ROE.

Total Debt to Equity Ratio (TDE): The unstandardised coefficient of 2.524 implies that, on average, for a one-unit increase in the total debt to equity ratio, ROE is expected to increase by 0.522 units. The standardised coefficient (Beta) of 0.522 indicates a positive impact of the total debt-to-equity ratio on ROE. The p-value of 0.03 is statistically significant at the 0.05 level, providing evidence that the total debt-to-equity ratio significantly contributes to explaining the variability in ROE.

In the context of the thesis, these results offer valuable insights into the nuanced relationships between capital structure components and profitability, as measured by Return on Equity. The negative impact of Total Debt to Assets Ratio, Short-Term Debt Ratio, and Long-Term Debt Ratio on ROE suggests that a judicious use of Total Debt to Assets Ratio leverage might be crucial for optimizing return on equity. The positive impact of the Total Debt to Equity Ratio on ROE suggests the strategic importance of managing Total Debt to Equity to enhance profitability.

The Correlation Analysis highlighted significant relationships between various components of capital structure and ROE. Total debt to assets (DTA), short-term debt ratio (STDR) and long-term debt ratio (LTDR) exhibited negative relationship with ROE; do not show significant effects on ROE, indicating that they do not have meaningful impacts on the dependent variable within this model. However, TDE (Total Debt to Equity) has a statistically significant impact on ROE, suggesting that companies with higher debt relative to equity tend to have higher returns on equity. This highlights the importance of the TDE ratio in financial performance, specifically in influencing ROE.

Discussion
The outcomes of the thesis, derived from correlation and regression analyses, illuminate the complex interrelationships between capital structure components and two crucial financial performance indicators—Return on equity (ROE) and earnings per share (EPS). The discussion will explore the implications of these outcomes, emphasising the strategic importance of capital structure management and its nuanced impact on firm profitability.

A weak positive correlation between return on equity (ROE) and total debt to assets (DTA) indicates that as a company increases its leverage (debt), its ROE may rise slightly. This occurs because debt can amplify returns on equity when the company's profits exceed its borrowing costs. However, the weak correlation suggests that other factors, such as operational efficiency and market dynamics, have a greater influence on ROE. Moreover, excessive debt could introduce financial risks, potentially lowering ROE over time. Thus, while some leverage may boost ROE, the relationship is neither strong nor guaranteed.

A weak negative correlation between Return on Equity (ROE) and the short-term debt ratio (STDR) suggests that as the proportion of short-term debt increases, ROE may experience a slight decline. This could be due to higher financial pressures and interest obligations associated with short-term debt, which can reduce net income and, in turn, lower ROE. However, the weak correlation implies that factors like profitability and asset management have a more substantial influence on ROE. Moreover, companies with strong cash flow management may offset the negative impact of short-term debt, maintaining or even improving their ROE. Therefore, while a small negative trend exists, it is not a reliable indicator of overall performance.

A weak negative correlation between Return on Equity (ROE) and the long-term debt ratio (LTDR) indicates that as a company's long-term debt increases, its ROE may slightly decrease. This could be due to the higher interest expenses associated with long-term debt, which can reduce net income and consequently lower ROE. However, the weak correlation suggests that other factors, such as operational efficiency, revenue growth, and asset utilisation, play a more prominent role in determining ROE. Furthermore, companies that manage their long-term debt effectively may still achieve strong ROE by investing in profitable growth opportunities. Thus, while a minor negative trend exists, it does not indicate a direct or significant impact on overall performance.

A moderate positive correlation between Return on Equity (ROE) and total debt to equity (TDE) suggests that as a company's leverage increases, represented by a higher debt-to-equity ratio, its ROE tends to rise. This occurs because using debt can amplify returns when a company's profits exceed its debt costs, thereby boosting returns for shareholders. However, the moderate correlation indicates that while leverage can enhance ROE, other factors such as operational performance and market conditions also play a significant role. Additionally, higher leverage introduces greater financial risk, which can impact long-term profitability and sustainability. Therefore, although a moderate positive relationship exists, companies must carefully manage debt levels to optimize ROE without taking an excessive risk.

Empirical research by Jensen and Meckling (1976) and Myers (1984) supports the idea that while capital structure decisions are complex, they have a significant impact on firm performance. The practical implication for firms is the importance of strategic debt management. Firms should weigh the benefits of short-term and long-term debt against the potential risks associated with increased leverage.

A weak positive correlation between earnings per share (EPS) and total debt to assets (DTA) suggests that as a company's leverage increases, its EPS may experience a slight increase, but the relationship is not strong. This can happen because using debt can provide additional capital for growth and investment, potentially leading to higher earnings that benefit shareholders. However, the weak correlation indicates that other factors, such as revenue growth, operational efficiency, and market conditions, play a more significant role in determining EPS. Additionally, while some debt can enhance earnings, excessive leverage may lead to higher interest expenses, which could negatively impact net income and EPS over time. Therefore, while there is a slight positive trend, it is not a definitive indicator of a company's earnings performance.

A weak negative correlation between earnings per share (EPS) and the short-term debt ratio (STDR) indicates that as the proportion of short-term debt increases, EPS may slightly decrease, but the relationship is not strong. This could occur because higher short-term debt can lead to increased interest expenses and financial strain, which may reduce net income and, consequently, EPS. However, the weak nature of the correlation suggests that other factors, such as revenue generation, cost management, and overall business performance, have a more significant impact on EPS. Additionally, companies with effective cash flow management may mitigate the negative effects of short-term debt, allowing them to maintain or even improve EPS. Thus, while there is a slight negative trend, it does not imply a direct or significant impact on earnings performance.

A weak negative correlation between earnings per share (EPS) and the long-term debt ratio (LTDR) indicates that as a company's long-term debt increases, its EPS may experience a slight decline, but this relationship is not strong. This could occur because higher long-term debt often results in increased interest expenses, which can reduce net income and, in turn, lower EPS. However, the weak nature of the correlation suggests that other factors, such as revenue growth, operational efficiency, and market conditions, have a more significant impact on EPS. Additionally, companies that effectively manage their long-term debt may still achieve strong earnings by investing in profitable projects that generate higher returns. Thus, while there is a slight negative trend, it does not imply a direct or significant impact on a company's earnings performance.

The strong positive impact of TDE on EPS underscores the potential of debt -equity ratio, short-term debt and long-term debt to enhance earnings per share. This aligns with empirical studies emphasising the advantages of debt-equity and long-term debt in managing liquidity and capital structure. The positive relationship suggests that firms strategically utilising debt-equity and long-term debt may experience higher earnings per share, providing a valuable tool for financial managers.

Conclusion
The study on capital structure and profitability of commercial banks in Nepal provides vital insights into the effects of financial decisions on firm performance. The findings indicate a significant positive impact of the total debt-to-equity ratio (TDE) on return on equity (ROE), reinforcing conclusions made by Zaman et al. (2020), who observed a strong correlation between capital structure and profitability in dual banking systems. Similar to Otekunrin et al. (2020), the study suggests that leveraging debt effectively can enhance firm performance by optimising the balance between debt and equity, but emphasises that excessive reliance on debt poses risks. On the other hand, short-term debt ratio (STDR) and long-term debt ratio (LTDR) exhibit weak negative correlations with ROE, corroborating the findings of Pham et al. (2022), who pointed out that an imbalanced use of debt, can erode profitability, especially in highly leveraged systems. Furthermore, Sahibzada (2022) highlighted a similar challenge in the Afghan banking system, where heavy reliance on deposit liabilities reduced net profitability.

Interestingly, the total debt to assets ratio (DTA) had minimal impact on profitability, a trend echoed in the work of Ayalew (2021), who demonstrated that size and age factors often dilute the direct influence of debt ratios on performance in Ethiopian banks. In conclusion, consistent

with the literature, the study underscores the importance of a balanced capital structure in enhancing bank profitability. As Bhatt & Jain (2020) note, commercial banks need to strategically manage their debt and equity levels to optimize returns, especially in developing financial markets like Nepal. Similarly, Earnings per Share (EPS) shows a weak correlation with most capital structure variables, except for a positive relationship with TDE, suggesting that a higher debt-equity mix enhances earnings.

These results can guide financial managers in making informed decisions about capital structure, ensuring improved financial performance and sustainability in the competitive banking environment of Nepal. This research adds valuable insights into capital structure management in developing economies.

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