JKBC

Volume – 7, December 2025

A Buddhist Economic Lens on Bank Stability: Empirical Analysis of Nepalese Commercial Banks

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Received: July 27, 2025; Revised: November 23, 2025; Accepted December 22, 2025

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Abstract

This study, grounded in Buddhist economic values of ethical prudence and sustainability, investigates the determinants of bank stability in Nepal, focusing on capital adequacy, loan risk (Non-performing Loans -NPL) bank size, gross domestic product (GDP) growth, and inflation. Using descriptive analysis and data from Everest Bank Limited and Nabil Bank Limited, it reveals that capital adequacy plays the most critical role in ensuring financial resilience, affirming findings and robust capital buffers are vital for absorbing economic shocks. Loan risk, particularly non-performing loans, also exerts a significant negative impact on stability, highlighting the Buddhist principle of mindful lending and the need for sound credit risk management. Other factors such as bank size, GDP growth, and inflation were found to have statistically insignificant effects, suggesting that in Nepal's context, internal financial discipline outweighs external macroeconomic variables in driving stability. The study's insights not only contribute to academic discourse but also offer practical guidance for policymakers and banking institutions committed to fostering a resilient and ethically grounded financial system.

Keywords: Bank Stability, Capital Adequacy, Loan Risk, Non-performing Loans (NPL), GDP

DOI: https://doi.org/10.3126/jkbc.v7i1.88360

1. Introduction

Applying Buddhist economic principles to bank stability in Nepal offers a profound rethinking of the financial system, moving beyond conventional metrics of profitability toward a values-driven model grounded in minimalism, sustainability, and ethical wealth creation. Minimalism, in this context, advocates for restrained consumption, responsible lending, and avoidance of speculative excesses practices that reduce exposure to systemic risks. Nepalese banks that prioritize necessity-based banking products, support micro-entrepreneurs, and maintain conservative debt structures exhibit greater resilience during economic shocks (Schumacher, 1973; Dhungana & Adhikari, 2021). Such minimalist approaches promote operational efficiency and foster long-term relationships with clients, laying a stable foundation for financial institutions within Nepal's developing economy.

Sustainability and ethical wealth creation further strengthen the bedrock of bank stability under the

Buddhist economic lens. Sustainability transcends environmental considerations, encompassing the social and moral dimensions of banking practices, such as promoting financial inclusion, supporting green investments, and avoiding exploitative financing (Thapa & Joshi, 2020). Ethical wealth creation emphasizes value generation without harm, encouraging banks to operate with integrity, fairness, and social responsibility. Empirical evidence from Nepal suggests that banks with strong corporate governance, transparent disclosure, and community-based initiatives maintain higher trust levels among stakeholders and experience reduced non-performing assets (Bhattarai, 2023). Therefore, embedding Buddhist values into financial operations not only enhances ethical standards but also contributes to robust and enduring bank stability in the Nepalese context.

Commercial banks are central to the economic architecture of Nepal, facilitating the mobilization of savings, provision of credit, and circulation of capital—functions vital for sustained development and financial stability (Berger et al., 2004; Diamond & Dybvig, 1983). Yet, beyond the traditional analytical frameworks rooted in profit maximization, a Buddhist economic lens offers a transformative perspective on banking stability. This approach emphasizes the principles of minimalism, sustainability, and ethical wealth creation—values that align with long-term stability over short-term gains. Minimalism encourages banks to avoid overleveraging and to simplify financial products to reduce risk exposure. Sustainability advocates for investments that promote social and ecological harmony, while ethical wealth creation insists on transparency, fairness, and the equitable distribution of financial services. In the context of Nepal's banking sector, these principles offer a normative foundation for addressing loan risk, improving capital adequacy, and guiding responsible lending behavior.

Empirical studies show that the stability of banks hinges not only on internal determinants like asset quality and capitalization but also on external factors such as GDP growth, inflation,

and regulatory conditions (Cihak & Hesse, 2010; Delis & Kouretas, 2011). Through a Buddhist lens, these determinants must be interpreted not merely as quantitative variables, but as reflections of the ethical alignment between banks and the societies they serve. For instance, non-performing loans (NPLs), a key indicator of loan risk, can be minimized when banks practice ethical wealth creation—lending with compassion, transparency, and a long-term perspective rather than speculative intent. Similarly, banks like Everest Bank Limited (EBL) and Nabil Bank Limited (NABIL), through their emphasis on social inclusion, digital access, and sustainable financing, embody Buddhist principles in practice (EBL, 2024; NABIL, 2024). Their financial resilience is tied not just to structural efficiency but also to the ethical and sustainable orientation of their operations, reinforcing the argument that Buddhist economic principles can be powerful drivers of institutional stability.

Research from diverse regions affirms that liquidity, credit risk, financial inclusion, and profitability all

shape bank resilience, but what remains underexplored is how values-based banking can amplify these effects (Alihodzic, 2020; Olugbenga & Oluwakemi, 2020). In Nepal, contextual variables like inflation and exchange rates remain critical (Neupane, 2023), yet these must be examined through the moral compass of sustainability and equity to formulate tailored, resilient strategies. A Buddhist economic framework compels banks to move beyond transactional metrics and align their policies with human well-being, environmental stewardship, and ethical governance. By integrating these principles into empirical models evaluating how ethical practices correlate with lower NPLs, stable capital ratios, and inclusive growth, this study seeks to enrich the analytical discourse on banking stability in Nepal. In doing so, it contributes to a holistic understanding of financial resilience, where economic performance and moral values are not contradictory, but mutually reinforcing.

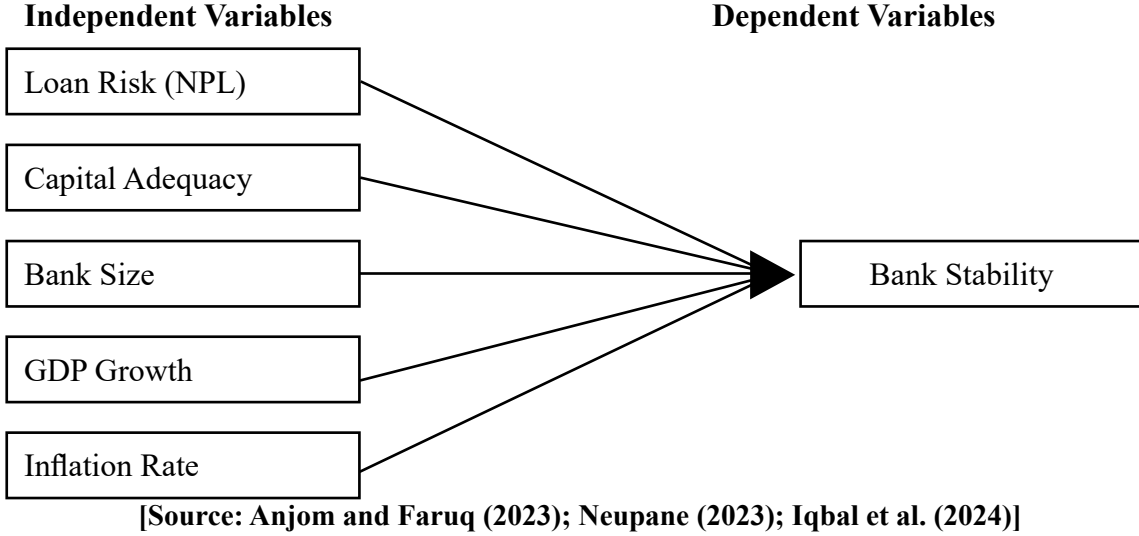
2. Literature Review

A Buddhist economic lens offers a unique and ethically grounded framework to reinterpret the vast literature on bank stability, integrating the values of minimalism, sustainability, and ethical wealth creation into existing theoretical and empirical paradigms. Classical and contemporary literature on banking stability reveals a diverse set of determinants that shape institutional resilience. Internal factors—such as capital adequacy, profitability, asset quality, and risk management are critical for a bank's operational health (Ali & Puah, 2019; Köhler, 2015). External determinants, including GDP growth, inflation, regulatory environment, and interest rates, also significantly influence the sustainability of the banking sector (Demirgüç-Kunt & Huizinga, 2010). Theoretical frameworks such as Capital Structure Theory (Berger & Bouwman, 2009), Liquidity Risk Theory (Diamond

& Dybvig, 1983), and Agency Theory (Jensen & Meckling, 1976) underline the necessity for robust capital buffers, prudent liquidity management, and effective governance. These theories, when viewed through the Buddhist prism, align closely with its philosophical call for balance, moderation, and ethical behavior—qualities that mitigate risk and promote long-term stability.

Moreover, the integration of Buddhist economics enriches the theoretical foundations of bank stability by embedding moral consciousness and sustainability into financial discourse. Regulatory Theory and Basel III standards emphasize capital buffers and risk-sensitive supervision to deter instability (Demirgüç-Kunt & Huizinga, 2010). These are structurally compatible with Buddhist teachings that caution against overindulgence and advocate mindful regulation. Liquidity Risk Theory (Diamond & Dybvig, 1983) and EMH (Fama, 1970) support the idea that transparent, ethical banking practices improve resilience by restoring depositor trust and ensuring market-based discipline. The policy framework of Nepal Rasta Bank NRB (2023), which includes provisions for capital adequacy, NPL management, and macroprudential oversight, exemplifies how regulatory tools can reflect Buddhist economic values when aligned with the broader goal of societal well-being. These frameworks collectively demonstrate that stability arises not solely from compliance or capital strength but from ethical practices that cultivate resilience and foster public trust.

Empirical literature from global and national contexts further reinforces the relevance of Buddhist principles in stabilizing financial institutions. Studies across Islamic banking models—which share ethical and sustainability-driven orientations—highlight superior resilience and reduced risk exposure during crises (Pambuko et al., 2018; Safiullah, 2021). Nepal-specific research adds another layer of insight: Singh (2021) found that income



[Source: Anjom and Faruq (2023); Neupane (2023); Iqbal et al. (2024)]

Figure 1 Conceptual Framework

diversification improved bank stability post-2007, while inflation and credit growth posed risks. Gwachha (2023) and Neupane (2023) confirm that capital base, profitability, and operational efficiency—core elements of Buddhist minimalism and ethical prudence—are key to Nepalese bank stability. Collectively, these studies argue for a holistic and values-based approach to stability, blending empirical rigor with moral insight. In sum, the literature reviewed substantiates that integrating Buddhist economics into bank stability analysis not only enhances theoretical depth but also aligns with real-world practices in fostering sustainable, inclusive, and resilient financial systems.

The theoretical framework integrates Buddhist economic values with empirical constructs, positing that internal variables like capital adequacy and loan risk, alongside macroeconomic factors such as GDP growth and inflation, jointly determine bank stability through ethical governance and sustainable practices (Anjom & Faruq, 2023; Neupane, 2023; Iqbal et al., 2024). These determinants, when aligned with minimalist risk-taking and ethical wealth creation, form a resilient architecture that enhances institutional soundness and long-term financial equilibrium.

While Anjom and Faruq (2023), Neupane (2023), and Iqbal et al. (2024) offer crucial insights into bank stability determinants, they fall short of contextualizing these within Nepal's unique regulatory and economic environment. This study bridges that gap by holistically examining both internal banking metrics and macroeconomic indicators through a Buddhist economic lens to enhance stability and sustainable development.

3. Research Methodology:

Grounded in a robust quantitative framework, this study employs descriptive and causal-comparative designs using secondary data from Everest Bank and Nabil Bank to evaluate how internal and macroeconomic factors influence bank stability (Neupane, 2023; Iqbal et al., 2024; Anjom & Faruq, 2023). Through statistical tools like Z-score analysis, correlation, and regression, it delivers empirical precision and context-specific insights aligned with Buddhist economic principles of resilience and prudence.

The model of the study is as follows:

$BS = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$……(i)

$BS = \beta_1 X4 + \beta_2 X5 + \epsilon$……(ii)

$BS = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X4 + \beta_5 X5$……(i)

In this equation:

BS = Bank Stability, X1 = Loan Risk (Non-Performing Loans), X2 = Capital Adequacy, X3 = Bank Size, X4 = GDP Growth, X5 = Inflation, ϵ = Error term

4. Results and Discussion

This section presents and interprets the research findings, highlighting how factors like loan risk, capital adequacy, and macroeconomic indicators influence bank stability in Nepal. It underscores the practical and policy implications within the broader context of Nepal's financial system.

4.1 Trend analysis of bank stability and its determinants

Under this establishes the reliability of the findings by detailing the methodologies and analytical tools used. It presents trends, descriptive statistics, correlations, and regression results to set the foundation for deeper analysis.

4.1.1 Bank stability

Bank stability signifies a bank's resilience against economic shocks, ensuring uninterrupted operations and confidence in the financial system. This study analyzes key indicators—profitability, liquidity, and capital adequacy—to assess factors influencing the stability of Nepalese commercial banks.

Table 1 *Bank Stability (Z Score)*

Fiscal Year	EBL	Nabil
2013/14	27.15	22.12
2014/15	25.15	19.51
2015/16	25.53	20.96
2016/17	31.95	23.36
2017/18	33.39	27.17
2018/19	31.33	25.07
2019/20	29.27	22.90
2020/21	27.15	24.52
2021/22	28.37	25.40
2022/23	29.43	24.35
Mean ($\bar{X}$)	28.87	23.54
S.D. (σ)	2.60	2.14
C.V.	9.01%	9.11%

Source: *Annual Reports of EBL and NABIL*

Table 2 is also presented in Figure 2 to show the trend of bank stability measured by Z score during the ten years of the study period for EBL and NABIL.

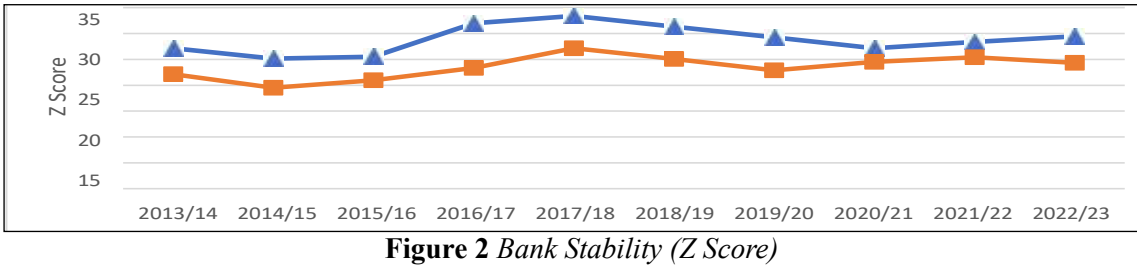


Figure 2 *Bank Stability (Z Score)*

Table 2 and Figure 2 reveal that EBL demonstrated stronger and more consistent financial stability than Nabil over 2013/14–2022/23, with a higher mean Z Score (28.87 vs. 23.54) and lower variability (C.V. 9.01% vs. 9.11%). This suggests EBL maintained a more resilient financial position, highlighting potential strengths in its internal management and risk controls.

4.1.2 Loan risk (NPL)

Loan risk, measured through non-performing loans (NPLs), directly influences bank stability by signaling default pressures and credit inefficiencies. This study examines historical NPL trends to assess their correlation with financial instability and the role of sound credit practices in mitigating such risks.

Table 2 *Loan Risk (NPL)*

Fiscal Year	EBL	Nabil
2013/14	0.97	2.3
2014/15	0.67	1.86
2015/16	0.39	1.17
2016/17	0.26	0.81
2017/18	0.2	0.55
2018/19	0.16	0.74
2019/20	0.22	0.98
2020/21	0.12	0.84
2021/22	0.12	1.62
2022/23	0.79	3.39
Mean ($\bar{X}$)	0.39	1.43
S.D. (σ)	0.29	0.84
C.V.	74.99%	58.97%

Source: *Annual Reports of EBL and NABIL*

Table 3 is also presented in Figure 3 to show the trend of loan risk measured by non-performing loan ratio during the ten years of the study period for EBL and NABIL.

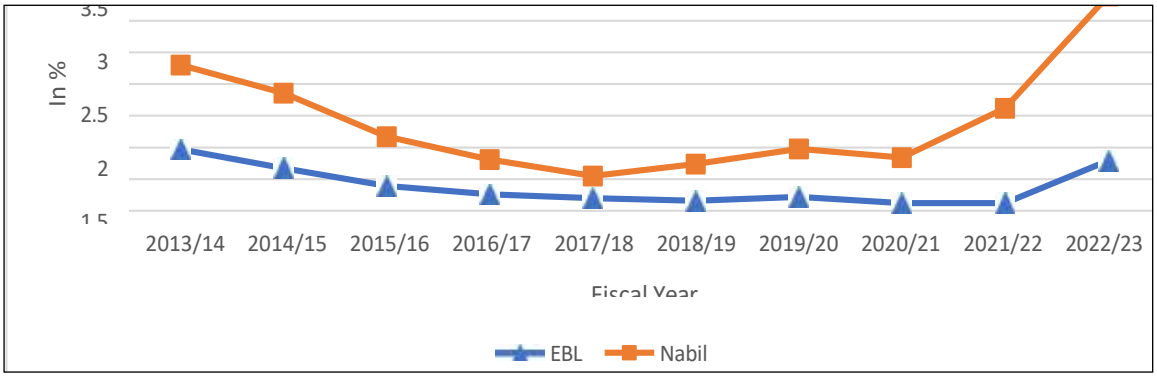


Figure 3 *Loan Risk (NPL)*

Table 3 and Figure 3 show that EBL maintained a consistently lower NPL ratio than Nabil, indicating stronger asset quality and credit risk management. This lower loan risk likely contributed to EBL's higher financial stability, reinforcing the link between NPL control and institutional resilience.

4.1.3 Capital adequacy

Capital adequacy enhances bank stability by providing a cushion against financial shocks, reducing insolvency risks. This study examines how maintaining sufficient capital reserves influences stability while balancing regulatory requirements and profitability goals.

Table 3 *Capital Adequacy*

Fiscal Year	EBL	Nabil
2013/14	11.31	11.24
2014/15	13.33	11.57
2015/16	12.66	11.73
2016/17	14.69	12.42
2017/18	14.2	13
2018/19	13.74	13.07
2019/20	13.38	12.5
2020/21	12.48	12.77
2021/22	11.89	13.09
2022/23	13.3	12.54
Mean ($\bar{X}$)	13.10	12.39
S.D. (σ)	0.98	0.63
C.V.	7.47%	5.06%

Source: *Annual Reports of EBL and NABIL*

Table 4 is also presented in Figure 4 to show the trend of capital adequacy ratio during the ten years of the study period for EBL and NABIL.

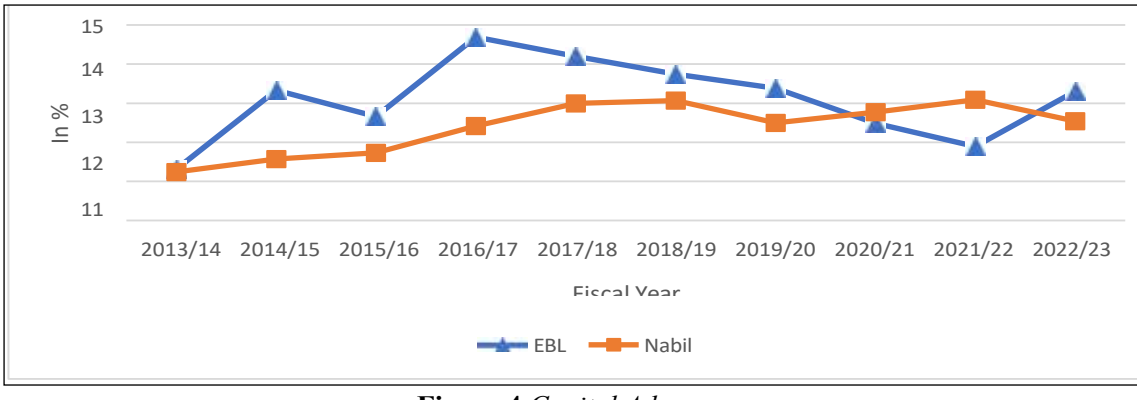


Figure 4 *Capital Adequacy*

Table 4 and Figure 4 reveal that EBL maintained a higher average capital adequacy ratio (13.10%) than Nabil (12.39%), suggesting EBL's stronger capacity to absorb financial shocks. This superior capital buffer likely enhanced EBL's bank stability relative to Nabil.

4.1.4 Bank size

Bank size influences stability by enabling economies of scale, portfolio diversification, and stronger risk management capacity. However, while larger banks like EBL may demonstrate greater resilience, they can also pose systemic risks if destabilized.

Table 1 *Bank Size*

Fiscal Year	EBL	Nabil
2013/14	24.91	25.23
2014/15	24.98	25.50
2015/16	25.32	25.57
2016/17	25.46	25.67
2017/18	25.48	25.85
2018/19	25.70	26.03
2019/20	25.86	26.19
2020/21	25.94	26.40
2021/22	26.08	26.76
2022/23	26.25	26.90
Mean ($\bar{X}$)	25.60	26.01
S.D. (σ)	0.43	0.52
C.V.	1.67%	2.01%

Source: *Annual Reports of EBL and NABIL*

Table 5 is also presented in Figure 5 to show the trend of bank size measured by natural log of total assets during the ten years of the study period for EBL and NABIL.

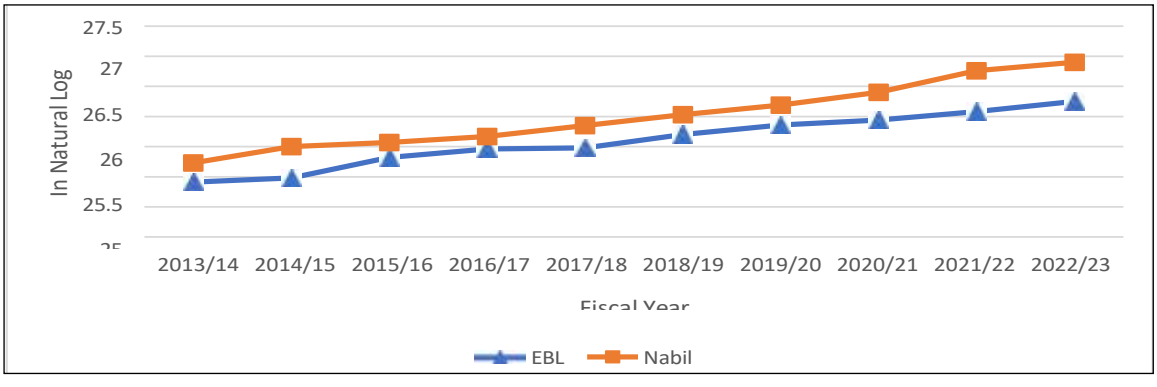


Figure 5 *Bank Size*

Table 5 and Figure 5 show that Nabil maintained a consistently larger bank size than EBL from 2013/14 to 2022/23, with average sizes of 26.01 and 25.60 respectively, reflecting greater resources and diversification potential. While Nabil's larger size may support stability, EBL's steadier growth and lower variability likely contributed to its stronger and more consistent financial stability.

4.1.5 GDP growth

Economic growth, indicated by GDP growth, positively influences bank stability by boosting lending opportunities and asset quality, while economic downturns increase default risks and threaten stability. This study analyzes Nepal's GDP trends alongside bank performance to underscore the critical role of macroeconomic conditions in sustaining banking sector resilience.

Table 2 *GDP Growth*

Fiscal Year	GDP Growth
2013/14	6.01
2014/15	3.98
2015/16	0.43
2016/17	8.98
2017/18	7.62
2018/19	6.66
2019/20	-2.37
2020/21	4.25
2021/22	5.84
2022/23	2.2
Mean ($\bar{X}$)	4.36
S.D. (σ)	3.28
C.V.	75.28%

Source: *NRB Reports*

Table 6 is also presented in Figure 6 to show the trend of GDP growth during the ten years of the study period.

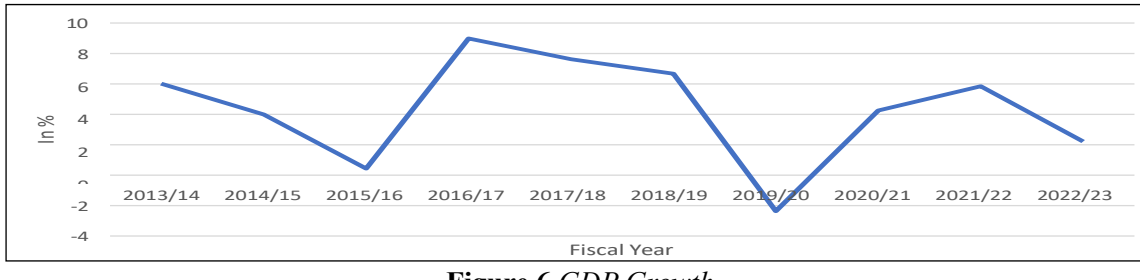


Figure 6 *GDP Growth*

Table 6 and Figure 6 show Nepal's GDP growth from 2013/14 to 2022/23, revealing significant volatility with a mean growth rate of 4.36% and a high coefficient of variation at 75.28%. This economic fluctuation directly affects bank stability by influencing credit demand and risk, where strong growth periods bolster stability and downturns, like in 2019/20, challenge financial resilience.

4.1.6 Inflation

Inflation affects bank stability by influencing loan defaults, lending practices, and economic activity, where high inflation often leads to tighter credit and increased financial uncertainty. This study analyzes how inflation fluctuations impact bank performance, emphasizing the importance of stable inflation for maintaining banking sector resilience.

Table 3 *Inflation Rate*

Fiscal Year	Inflation Rate
2013/14	9.1
2014/15	7.2
2015/16	9.9
2016/17	4.5
2017/18	4.2
2018/19	4.2
2019/20	6.15
2020/21	3.6
2021/22	6.32
2022/23	7.74
Mean ($\bar{X}$)	6.29
S.D. (σ)	2.07
C.V.	32.98%

Source: NRB Reports

Table 7 is also presented in Figure 7 to show the trend of inflation rate during the ten years of the study period.

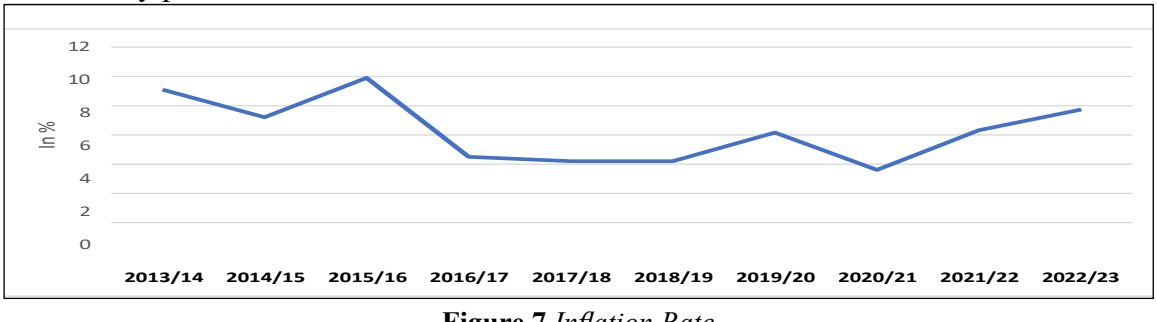


Figure 7 *Inflation Rate*

Table 7 and Figure 7 depict Nepal's inflation rates from 2013/14 to 2022/23, showing moderate average inflation of 6.29% with fluctuations influenced by events like the 2015 earthquake and the COVID-19 pandemic. While moderate inflation can boost loan demand and support banks, higher inflation periods may undermine bank stability by increasing credit risks and operational uncertainties.

4.1.7 Descriptive analysis

Descriptive analysis provides a foundational summary of key variables related to bank stability using measures of central tendency and dispersion, highlighting patterns and variability. This groundwork enables focused investigation through advanced statistical methods in later stages of the study.

Table 4 ***Descriptive Analysis***

Variables	EBL					NABIL				
	N	Min	Max	Mean	S. D	N	Min	Max	Mean	S. D
BS	10	25.15	33.39	28.87	2.74	10	19.51	27.17	23.54	2.26
NPL	10	0.12	0.97	0.39	0.31	10	0.55	3.39	1.43	0.89
CAR	10	11.31	14.69	13.10	1.03	10	11.24	13.09	12.39	0.66
SIZE	10	24.91	26.25	25.60	0.45	10	25.23	26.90	26.01	0.55
GDP	10	-2.37	8.98	4.36	3.46	10	-2.37	8.98	4.36	3.46
INF	10	3.60	9.90	6.29	2.19	10	3.60	9.90	6.29	2.19

Source: *SPSS Output*

Table 8's descriptive statistics reveal that while both EBL and Nabil maintain stable capital adequacy and face similar economic conditions, Nabil exhibits higher variability and greater loan risk (NPL) compared to EBL. This suggests that despite comparable bank sizes and external factors, EBL demonstrates stronger stability through more effective loan risk management.

4.2 Impact of determinants on the stability of commercial banks

4.2.1 Correlation analysis

Correlation analysis examines the strength and direction of relationships between key factors—loan risk, capital adequacy, bank size, GDP growth, and inflation—and bank stability, identifying critical drivers of financial health. This understanding is vital for building a robust model to explain and predict bank stability.

Table 5 *Correlation Analysis*

		BS	NPL	CAR	SIZE	GDP	INF
BS	Pearson Correlation	1					
	Sig. (2-tailed)						
NPL	Pearson Correlation	-.609**	1				
	Sig. (2-tailed)	.004					
CAR	Pearson Correlation	.742**	-.461*	1			
	Sig. (2-tailed)	.000	.041				
SIZE	Pearson Correlation	-.039	.319	.131	1		
	Sig. (2-tailed)	.870	.171	.581			
GDP	Pearson Correlation	.302	-.128	.199	-.192	1	
	Sig. (2-tailed)	.196	.589	.400	.416		
INF	Pearson Correlation	-.429	.446*	-.564**	-.293	-.465*	1
	Sig. (2-tailed)	.059	.049	.010	.210	.039	
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Table 9 reveals a strong negative correlation between loan risk (NPL) and bank stability ($r = -0.609$, $p = 0.004$) and a strong positive correlation between capital adequacy (CAR) and stability ($r = 0.742$, $p < 0.001$), underscoring the importance of credit quality and capital buffers in maintaining stability. In contrast, bank size and GDP growth show weak, non-significant correlations with stability, while inflation exhibits a moderate negative correlation ($r = -0.429$, $p = 0.059$), indicating inflation's potential adverse impact on bank stability.

4.2.2 Regression analysis

Regression analysis quantifies the impact of loan risk, capital adequacy, bank size, GDP growth, and inflation on bank stability, revealing the relative importance of each factor. These insights guide policymakers and banking professionals in strengthening Nepal's banking sector resilience and inform future research on financial stability.

Regression analysis with bank internal factors

Regression analysis examines the impact of internal factors—loan risk (NPL), capital adequacy, and bank size—on bank stability (Z Score).

Table 6 *Model Summary with Internal Factors*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.801	.641	.574	2.39495	1.183
a. Predictors: (Constant), SIZE, CAR, NPL					
b. Dependent Variable: BS					

Table 10 shows a strong model fit with an R of 0.801 and R^2 of 0.641, indicating that bank size, capital adequacy, and loan risk explain 64.1% of the variance in bank stability. The adjusted R^2 of 0.574 and Durbin-Watson statistic of 1.183 suggest a robust model with some positive autocorrelation that may require further examination.

Table 7 *Analysis of Variance (ANOVA) with Internal Factors*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	164.144	3	54.715	9.539	.001
	Residual	91.773	16	5.736		
	Total	255.917	19			
a. Dependent Variable: BS						
b. Predictors: (Constant), SIZE, CAR, NPL						

Table 11's ANOVA results show the regression model significantly predicts bank stability, with an F-statistic of 9.539 and p-value of 0.001, confirming that bank size, capital adequacy, or loan risk collectively influence stability. This underscores the importance of these variables in explaining banking sector financial health.

Table 8 *Regression Coefficients with Internal Factors*

Model B		Unstandardized Coefficients		Standardized Coefficients	t	Sig. Tolerance	Collinearity Statistics	
		Std. Error	Beta				VIF	
1	(Constant)	-.756	27.843		-.027	.979		
	NPL	-1.469	.820	-.335	-1.791	.092	.642	1.559
	CAR	2.357	.715	.589	3.296	.005	.702	1.425
	SIZE	-.068	1.151	-.010	-.059	.954	.800	1.250
a. Dependent Variable: BS								

Table 12's regression results show that capital adequacy ratio (CAR) significantly and positively influences bank stability, while non-performing loans (NPL) have a marginally negative effect, and bank size (SIZE) shows no significant impact. The findings confirm the importance of strong capital reserves for stability, partially reject the loan risk hypothesis, and accept the insignificance of bank size. Overall, CAR emerges as the most critical predictor of bank stability in Nepal's commercial banks.

Regression analysis with external (macroeconomic) factors

Regression analysis is conducted using external macroeconomic factors—GDP growth and inflation rate—as independent variables and bank stability (Z Score) as the dependent variable.

Table 9 *Model Summary with External (Macroeconomic) Factors*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.683[a]	.467	.314	2.26935	1.819
a. Predictors: (Constant), INF, GDP					
b. Dependent Variable: BS					

Table 13 shows that the model with inflation and GDP growth explains 46.7% of the variance in bank stability, with an adjusted R^2 of 0.314, indicating moderate explanatory power. The Durbin-Watson statistic of 1.819 suggests no significant autocorrelation, supporting the reliability of the model's estimates.

Table 10 *Analysis of Variance (ANOVA) with External (Macroeconomic) Factors*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.553	2	15.777	3.063	.111[b]
	Residual	36.050	7	5.150		
	Total	67.603	9			
a. Dependent Variable: BS						
b. Predictors: (Constant), INF, GDP						

Table 14 shows that the regression model with inflation and GDP growth is not statistically significant ($p = 0.111$), indicating these macroeconomic factors do not strongly predict bank stability. Despite explaining some variance, a large portion remains unexplained, as reflected by the residual sum of squares of 36.050 with 7 degrees of freedom.

Table 11 *Regression Coefficients with External (Macroeconomic) Factors*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	32.271	3.189		10.121	.000		
	GDP	.191	.247	.241	.774	.464	.784	1.275
	INF	-.673	.391	-.537	-1.722	.129	.784	1.275
a. Dependent Variable: BS								

Table 15 shows that neither GDP growth ($\beta = 0.191$, $p = 0.464$) nor inflation ($\beta = -0.673$, $p = 0.129$) significantly predict bank stability, leading to acceptance of hypotheses H4 and H5. The model indicates no strong statistical relationship between these macroeconomic factors and bank stability, with no multicollinearity concerns.

Collective regression analysis with bank internal factors and external (macroeconomic) factors

Regression analysis is conducted with both internal factors (loan risk, capital adequacy, bank size) and external factors (GDP growth, inflation) as independent variables to predict bank stability (Z Score), with results shown in Tables 16, 17, and 18.

Table 12 *Model Summary with Collective Impact*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.839[a]	.703	.597	2.32964	1.186
a. Predictors: (Constant), INF, SIZE, CAR, GDP, NPL					
b. Dependent Variable: BS					

Table 16 shows a strong model fit with an R of 0.839 and R^2 of 0.703, indicating that 70.3% of bank stability variance is explained by inflation, bank size, capital adequacy, GDP growth, and loan risk. The adjusted R^2 of 0.597 confirms robustness, while a Durbin-Watson statistic of 1.186 suggests mild positive autocorrelation that requires further scrutiny.

Table 13 *Analysis of Variance with Collective Impact*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	179.935	5	35.987	6.631	.002[b]
	Residual	75.981	14	5.427		
	Total	255.917	19			
a. Dependent Variable: BS						
b. Predictors: (Constant), INF, SIZE, CAR, GDP, NPL						

Table 17's ANOVA results show the regression model significantly predicts bank stability, with an F-statistic of 6.631 and a p-value of 0.002, confirming the collective significance of the predictors. This underscores the important role of inflation, bank size, capital adequacy, GDP growth, and loan risk in explaining variations in bank stability.

Table 14 *Regression Coefficients with Collective Impact*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
B		Std. Error	Beta			Tolerance	VIF	
1	(Constant)	-45.049	39.488		-1.141	.273		
	NPL	-2.225	.950	-.507	-2.342	.034	.453	2.210
	CAR	2.468	.742	.617	3.327	.005	.617	1.621
	SIZE	1.414	1.450	.206	.975	.346	.477	2.097
	GDP	.346	.211	.317	1.640	.123	.567	1.765
	INF	.607	.441	.352	1.376	.190	.324	3.089
a. Dependent Variable: BS								

Table 18 shows that loan risk (NPL) and capital adequacy ratio (CAR) significantly impact bank stability, with NPL negatively and CAR positively influencing stability. In contrast, bank size, GDP growth, and inflation rate do not have statistically significant effects in this model.

Summary

Bank stability in Nepal is shaped by both internal financial metrics and broader macroeconomic dynamics, yet findings reveal that capital adequacy and loan risk (NPL) are the most decisive determinants. A higher capital adequacy ratio enhances a bank's resilience by providing a cushion against potential losses, while rising levels of NPLs erode asset quality and weaken financial stability. Although bank size, GDP growth, and inflation are also considered in the analysis, their influence is comparatively marginal in the Nepalese banking environment. As demonstrated in empirical findings by Neupane (2023), Iqbal et al. (2024), and Anjom & Faruq (2023), well-capitalized banks with prudent risk practices are more likely to sustain stability even amidst economic fluctuations. From a Buddhist economic lens, these insights align with the principles of minimalism and ethical wealth creation—where sound governance, modest risk appetite, and mindful asset allocation ensure sustainability and long-term institutional health.

The study employed a mixed-method quantitative approach, incorporating descriptive, correlation, and regression analysis, drawing on financial data from Everest Bank and Nabil Bank and macroeconomic indicators from NRB. Results showed that capital adequacy had a strong positive effect on bank stability ($\beta = 2.357$, $p = 0.005$), while NPLs significantly weakened it ($\beta = -1.469$, $p = 0.092$). Other variables like bank size, GDP growth, and inflation displayed no statistically significant impact, underscoring that internal financial discipline outweighs macroeconomic trends in safeguarding stability within Nepal's context. These findings not only support theoretical frameworks around capital strength and credit risk (Berger & Bouwman, 2009; Diamond & Dybvig, 1983) but also enrich the existing literature by contextualizing them within Nepal's unique banking ecosystem. Ultimately, the integration of Buddhist economic principles offers a values-based pathway for banks and policymakers to foster resilience, prudence, and ethical governance—cornerstones of a stable and inclusive financial system.

Conclusion

This study offers a comprehensive analysis of the factors influencing bank stability in Nepal through a Buddhist economic lens, emphasizing ethical prudence, sustainability, and minimalist financial governance. Synthesizing findings from Neupane (2023), Iqbal et al. (2024), and Anjom and Faruq (2023), it reveals that capital adequacy exerts a strong and statistically significant positive impact on stability, aligning with the Buddhist emphasis

on resilience and mindful preparedness. In contrast, high non-performing loan (NPL) levels critically destabilize banks, reinforcing the Buddhist call for ethical lending and responsible financial behavior. Although variables such as bank size, GDP growth, and inflation show minor, statistically insignificant effects, their roles remain contextually relevant. The study's methodological rigor and empirical findings illuminate the necessity of integrating strong internal governance with broader economic awareness. Ultimately, by aligning banking practices with Buddhist principles of non-excess, ethical wealth creation, and long-term welfare, this research contributes to shaping a resilient, inclusive, and values-driven financial system in Nepal.

Acknowledgment:
I extend heartfelt gratitude to the college's RMC and peers for their insightful feedback and collaboration that profoundly enhanced the quality and depth of this research.

Ethical Issues / Conflict of Interest:

This study strictly followed institutional ethical standards, ensuring integrity, confidentiality, and objectivity, with no financial, personal, or professional conflicts of interest influencing its outcomes.

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