The Interplay between Employee Development Factors and Succession Planning in Predicting Performance: A Case of Nepalese Commercial Banks

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Abstract

This study examines the interplay between employee development factors and succession planning in predicting performance of Nepalese commercial banks. Return on assets (ROA) and return on equity (ROE) are the dependable variables. The independent variables are succession planning, training and development, employee motivation, organizational culture and employee empathy. The study used primary and secondary sources of data. The primary source of data is used to assess the opinions of the respondents regarding the interplay between employee development factors and succession planning in predicting performance of Nepalese commercial banks. The study is based on primary data of 131 respondents. The secondary source of data is collected from 27 Nepalese commercial banks for the period from 2014/15 to 2020/21. The data are collected from Economic Survey published by Ministry of Finance, Quarterly Economic Bulletin published by Nepal Rastra Bank and annual report of NRB supervision and economic bulletin of World Bank. To achieve the purpose of the study, structured questionnaire is prepared. The correlation coefficients and regression models are estimated to test the significance and the interplay between employee development factors and succession planning in predicting performance of Nepalese commercial banks.

The study showed that succession planning has a positive impact on return on assets and return on equity. It indicates that increase in succession planning leads to increase on return on assets and return on equity. Likewise, training and development has a positive impact on return on assets and return on equity. It indicates that increase in training and development facilities leads to increase on return on assets and return on equity. Similarly, employee motivation has a positive impact in performance. It means that fair employee motivation in the organization leads to increase on return on assets and return on equity. Moreover, organizational culture has a positive impact on return on assets and return on equity. It indicates that better the organizational culture, higher would be return on assets and return on equity. In addition, employee empathy has a positive impact in performance. It reveals that higher the employee empathy, higher would be the return on assets and return on equity.

Keywords: succession planning, training and development, employee motivation, organizational culture, employee empathy, return on assets (ROA), return on equity (ROE).

1. Introduction

Performance refers to the degree of accomplishment of the task that makes up an employee's job (Rue, 2007). A sound and profitable banking

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sector is better able to withstand negative shocks and contribute to the stability of the financial system (Althanasoglou *et al*., 2008). The role of a banking sector is to utilize the resources judiciously that fuels economic growth and brings global competitiveness (Mwega, 2011). Efficient financial services in the banking sector could be achieved only through appropriate management of financial distress by the banks (Bariviera *et al.*, 2014). ROA is also used to evaluate the competence and operational performance of banks as it examines the profits generated from the assets invested by the bank (Goaied, 2008). In addition, Rivard and Thomas (1997) argued that bank profitability is best measured by ROA in that ROA is not distorted by high equity multipliers and ROA represents a better measure of the ability of the firm to generate returns on its portfolio of assets.

The motivation of bank employee plays a major role in achieving high level of satisfaction among its customers (Patecharak, 2004). Luthans (2000) defined that two types of rewards which are financial (extrinsic) and non-financial (intrinsic) reward and both can be utilized positively to enhance employee's performance. Motivation is the key of a successful organization to maintain the continuity of the work in a powerful manner and help organizations to survive (Omollo, 2015). Basically, motivation word is derived from Motive. The meaning of motive is needs, wants, and the desire of the persons. So that employee's motivation means the process in which organization inspiring our employee with the shape of rewards, bonus etc. for achieving the organizational goals (Chaudhary & Sharma, 2012).

Nowadays, the phenomenon of increased competition between firms and their need to respond effectively to rapidly changing operational conditions, as well as to personnel requirements, has escalated the necessity to identify those factors that affect employee performance (EP) (Diamantidis and Chatzoglou, 2019). The term employee performance signifies individual's work achievement after exerting required effort on the job which is associated through getting a meaningful work, engaged profile, and compassionate colleagues/employers around (Karakas, 2010).

Husni (2011) concluded that there is a significant and a positive relation between return on assets and total liabilities to total assets. Furthermore, Menicucci and Paolucci (2016) indicated that there is a significant relationship between liquidity and bank's profitability (ROA). Similarly, Almazari (2011) revealed a strong negative correlation between ROA and banks' size, a strong positive correlation between ROA and asset management ratio and a negative weak correlation between ROA and operational efficiency. Similarly, Shingjergji and Shingjergji (2013) concluded that there is a negative relationship between return on equity (ROE) and the NPLs ratio showing that higher NLPs ratios will deteriorate the performance of the banks. In addition, Singh (2017) asserted that return on assets and return on equity is negatively related with non-performing loans. Furthermore, Siraj and Pillai (2012) stated that return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Patidar *et al.* (2016) investigated firm financial output through succession planning and discovered that succession planning significantly enhances hospital financial performance. Similarly, Rayburn *et al.* (2016) mentioned that succession planning focuses on transparency and found that succession planning optimizes talent management, trains employees for future leadership roles and enhances sustainable organizational performance. Samad and Glenn (2012) revealed in their study on the factors of US bank failure, found that return on assets was one of the significant performance factors in forecasting bank failures in 2009. Kim (2012) found that successful succession planning has a positive relationship for building a solid foundation of profitability. Asim (2013) explored the impact of employee motivation on employee performance. The study showed that the relationship between employee performance and motivation, whereby a motivated employee has an intention and drive to work hard and show good results.

Raza et al. (2023) examined frontline employees' performance in the financial services industry: the significance of trust, empathy and consumer orientation. This study found that the relevance of social exchange theory in understanding the role of consumers' trust and perceptions of frontline employees' empathy and consumer orientation in understanding their perception of frontline employee performance in the banking industry. Karam and Ghoul (2010) showed that early and proper succession planning impacts future financial performance rather than having immediate consequences. Zahargier et al. (2011) investigated the factors affecting employees 'performance in Ready-Made Garments sector in Chittagong, Bangladesh. The study showed that the individual related factors, job related factors and organizational related factors has a strong positive relationship with employees' performance. Ayub (2010) showed that motivation improves academic performance of the students.

Amirkhani *et al.* (2016) found that succession directly affects the performance and the succession has also a positive and significant effect on the performance through the mediating variable of organizational commitment. Similarly, Najam and Siddiqui (2020) showed that effective succession planning practices had a meaningful and favorable connection with employee retention and out of seven mediators, only three mediators i.e., job security, rewards and supervisor support significantly mediated the association between effective succession planning practices and employee retention. The study also found that there's an insignificant link between effective succession planning practices and organizational effectiveness and also there is no positive relationship between employee retention and organizational effectiveness.

Elnaga and Imran (2013) revealed that training and development is a vital tool used to not only maximize the performance of employees, but also to help them in becoming more efficient, productive, satisfied, motivated and innovative in the workplace. In addition, Kum *et al.* (2014) revealed that working conditions and a lack of resources affect the training and development of employees. Younas *et al.* (2018) found that there is a positive relationship between training, development and employee performance and reached at a decision that training and development have positive impact on employee performance. Similarly, Ahmad *et al.* (2014) revealed that training and development should be involved in the strategies of the business and with using this strategy the employee working activities and business qualities will increase.

Awadh and Saad (2013) found that certain dimensions of culture have been identified so far and research showed that value and norms of an organization were based upon employee relationship. The goal of an organization is to increase level of performance by designing strategies. Similarly, Uddin *et al.* (2013) concluded that organizational culture significantly influences employee performance and productivity in the dynamic emerging context. In addition, Zain-Ul-Abidin *et al.* (2020) found that there is a significantly positive relationship between organizational culture and organizational performance and provides implications for the top management of public sector, policymakers and leaders in the public sector, they encouraging the staff to towards organizational culture for better organizational performance.

Kock *et al.* (2019) found that the sense of empathy that leaders have can affect employee performance. De Almeida *et al.* (2019) revealed that the relationship of leaders who empathize with employee performance through job satisfaction has a positive and relevant relationship. However, Widayati *et al.* (2022) found that empathy has a significant positive effect on employee performance. Siddiqui and Ali (2023) found that financial performance of banks is closely linked to the economic conditions of the country so investments on training may not always result in greater profitability but its positive impact on the performance or profitability of banks is more likely to be realized in the long run. Saeed *et al.* (2013) showed that employee motivation, organizational culture, personal problems, job content and working conditions have positive impact on the performance.

Abdi Mohamud *et al.* (2017) found that monetary rewards, job enrichment have significant and positive effects on employee performance, in while there is positive and insignificant effect of training on employee performance and also the study indicated there were good relationship between motivation and employee performance. The study also showed that employee motivation influences employee performance of Hormuud Company in Mogadishu Somalia. Additionally, Olusadum and Anulika (2018) analyzed the impact of motivation on employee performance: A study of alvan ikoku federal college of education. The study found that organizations should consider staff motivation as a cardinal responsibility and unless staff motivation is properly executed, organizations and their managers will always suffer employees' negative attitude to work.

In the context of Nepal, Bahadur *et al.* (2020) analyzed the effect of employee empathy on service loyalty: The mediating role of trust in and satisfaction with a service employee. The study found that the understanding of empathy within banking services during interactions between service employees and customers. Furthermore, Khanal (2022) found that employee's performance highly affected by the training programs assigned by the banks helping the employees to increase their competitiveness, skills and their overall performance, while the role of employee motivation on their performance is directly significant which helps the employees to strive for more recognition in the organization. Bhattarai and Joshi (2018) found that job satisfaction, organizational commitment and perceived organizational support are important factors that mediate the relationship between employee development and succession planning and employee performance. Thapa (2016) found that empowerment and salary are positively related with employees' performance which implies that the higher the empowerment and salary, higher would be the employees' performance.

Gautam (2018) found that training culture significantly influenced employee performance, both directly and indirectly through job satisfaction and organizational commitment. Chalis (2020) found that Nepalese commercial banks provide adequate importance to the employees training however the training provided are not well planned and designed according to need of the employee. Simkhada (2023) found that higher the human resource planning, succession planning, training and development, job rotation and organization culture higher will be the ROA. Gautam and Gautam (2021) found that significant role of macroeconomic variables to estimate ROE, bank administrators, government officials and investors can focus in such variables, especially in GDP for competitive financial performance.

The above discussion reveals that the empirical evidences vary greatly across the studies concerning the interplay between employee development factors and succession planning in predicting performance of commercial banks. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The main purpose of the study is to analyze the interplay between employee development factors and succession planning in predicting performance of Nepalese commercial banks. Specifically, it examines the impact of succession planning, training and development, employee motivation, organizational culture and employee empathy on return on performance of Nepalese commercial banks.

The remainder of this study is organized as follows. Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion.

2. Methodological aspects

The study is based on both primary and secondary sources of data which are gathered from 27 commercial banks in Nepal. For primary data a structured questionnaire was used. Similarly, for secondary data is collected for the period of 7 years from 2014/15 to 2020/21. This study contains a sample of 27 commercial banks of Nepal whose respective data are collected from the time period of 2014/15 to 2020/21 leading to a total of 189 observation used to extract the information of the interplay between employee development factors and succession planning in predicting performance: A case of Nepalese commercial banks. Table 1 shows the list of commercial banks selected for the study along with the study period and number of observations.

Table 1

List of banks selected for the study along with the study period and number of observations

S. N.	Name of the banks	Study period	Observations
1	Agricultural Development Bank Limited	2014/15 - 2020/21	7
2	Bank of Kathmandu Limited	2014/15 - 2020/21	7
3	Century Commercial Bank Limited	2014/15 - 2020/21	7
4	Citizens Bank International Limited	2014/15 - 2020/21	7
5	Civil Bank Limited	2014/15 - 2020/21	7
6	Everest Bank Limited	2014/15 - 2020/21	7
7	Global IME Bank Limited	2014/15 - 2020/21	7
8	Himalayan Bank Limited	2014/15 - 2020/21	7
9	Kumari Bank Limited	2014/15 - 2020/21	7
10	Laxmi Bank Limited	2014/15 - 2020/21	7
11	Machhapuchchhre Bank Limited	2014/15 - 2020/21	7
12	Mega Bank Nepal Limited	2014/15 - 2020/21	7
13	Nabil Bank Limited	2014/15 - 2020/21	7
14	Nepal Bangladesh Bank Limited	2014/15 - 2020/21	7
15	Nepal Bank Limited	2014/15 - 2020/21	7
16	Nepal Credit and Commerce Bank Limited	2014/15 - 2020/21	7
17	Nepal Investment Bank Limited	2014/15 - 2020/21	7
18	Nepal SBI Bank Limited	2014/15 - 2020/21	7
19	NIC Asia Bank Limited	2014/15 - 2020/21	7
20	NMB Bank Limited	2014/15 - 2020/21	7
21	Prabhu Bank Limited	2014/15 - 2020/21	7
22	Prime Commercial Bank Limited	2014/15 - 2020/21	7
23	Rastriya Banijya Bank Limited	2014/15 - 2020/21	7
24	Sanima Bank Limited	2014/15 - 2020/21	7
25	Siddhartha Bank Limited	2014/15 - 2020/21	7
26	Standard Chartered Bank Nepal Limited	2014/15 - 2020/21	7
27	Sunrise Bank Limited	2014/15 - 2020/21	7
Total number of observations			**189**

Thus, the study is based on the 189 observations.

2.1 Model specification

The econometric models employed in this study tries to analyze. The following regression model is used in the study to examine the interplay between employee development factors and succession planning in predicting performance in Nepalese commercial banks. Thus, the following model equation is designed to test the hypothesis. From the conceptual framework the function of dependent variables takes the following form:

ROA = f (SP, TD, EM, OC and EE)

ROE= f (SP, TD, EM, OC and EE)

More specifically, the given model has been segmented into following models:

Model I

In this model, the dependent variable is (ROA) indicated by return on assets of the firm. Succession planning, training and development, organizational culture, employee motivation and employee empathy are independent variables which are tested on ROA. The model is presented as follows:

$$ROA = \beta_0 + \beta_1 SP_{it} + \beta_2 TD_{it} + \beta_3 EM_{it} + \beta_4 OC_{it} + \beta_5 EE_{it} + e_{it}$$

Model II

In this model, the dependent variable is ROE indicated by return on equity of the firm. Succession planning, training and development, organizational culture, employee motivation and employee empathy are independent variables which are tested on ROE. The model is presented as follows:

$$ROE = \beta_0 + \beta_1 SP_t + \beta_2 TD_{it} + \beta_3 EM_{it} + \beta_4 OC_{it} + \beta_5 EE_{it} + e_{it}$$

Where,

ROA = Return on assets is measured as the ratio of net income to total assets, in percentage.

ROE = Return on equity is measured as the ratio of net income to shareholder's equity, in percentage.

SP = Succession planning

TD = Training and development

EM = Employee motivation

OC = Organizational culture

EE = Employee empathy

Succession planning was measured using a 5-point Likert scale where respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "The employee has a track record of meeting or exceeding performance expectations.", "The employee has a shown initiative in identifying and addressing challenges.", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.946$).

Training and development were measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "My bank provides training programs that are relevant to my job.", "My bank has provided me with job specific training and development." and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.935$).

Employee motivation was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "My manager helps me to motivate my work and provides me with the resources I need to perform my job effectively", "My supervisor and colleagues provide constructive feedback to help me improve my performance.", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.941$).

Organizational culture was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "My bank values diversity and inclusivity to increase performance", "My bank has a flexible and adaptable organization culture.", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.944$).

Employee empathy was measured using a 5-point Likert scale where the respondents were asked to indicate the responses using 1 for strongly disagree and 5 for strongly agree. There are 5 items and sample items include "My supervisor and colleagues show genuine concern for my well-being", "My supervisor and colleagues understand and respect my perspective and feelings", and so on. The reliability of the items was measured by computing the Cronbach's alpha ($\alpha = 0.948$).

The following section describes the independent variables used in this study along with hypothesis formulation.

Succession planning

Sharma *et al.* (2015) described succession planning as a process of ensuring adequate supply of successors for present and future core jobs resulting from corporate strategy, in such a way that an individual career can be designed and managed to maximize the successor's aspirations and the organization goals. Succession planning is an approach to fulfill human capital needs and achieve organizational goals and maintains a pool of critical people who are best prepared and willing to take a vital role and propel the organization forward (Kamil *et al.,* 2016). Likewise, Wajidi *et al.* (2018) found that proper implementation of strategies needs to be taken into consideration because most organizations fail to implant the proper program and to take the right decision at the right time for effective succession planning. Furthermore, Baruch (1999) found that succession planning is intended to extract a structured mechanism that would spontaneously and effectively contend modern business problems such as organizational growth, team creation, talent management and globalization. Based on it, this study develops following hypothesis:

H_1: There is a positive relationship between succession planning and performance.

Training and development

Ugbomhe *et al.* (2016) showed that appropriate training and development of banking staff can result in efficient performance of their functions. Likewise, Boadu *et al.* (2014) found that management and employees faced peculiar problems during training and development exercises. In addition, Dimba (2010) found that employee's training has significantly affected the morale or motivation level of staff members in the context of retail sector. Furthermore, Brown (2003) found that training and development program helps in molding employees' behavior and efforts in a way that results in achievement of long-term business objectives. Based on it, this study develops following hypothesis:

H_2: There is a positive relationship between training and development and performance.

Employee motivation

Activities that are driven by something that is not liked in the form of activities that are forced to be carried out tend to be ineffective and efficient with pleasure and satisfaction (Inaray *et al.,* 2016). Likewise, Uzonna (2013) found that a good motivational program procedure is essential to achieve goal of the organization. According to Herzberg's two-factor theory of motivation, money is not even a motivator (Herzberg, 1987). Moreover, Gachengo and Wekesa (2017) found that motivation has a statistically significant influence on employee performance at the National Bank of Kenya. Furthermore, Simon and DeVaro (2006) found that companies can motivate their employees by officering good salaries, organizational culture and growth opportunities.

Based on it, this study develops following hypothesis:

H_3: There is a positive relationship between employee motivation and performance.

Organizational culture

Indiyati (2014) described that organizational culture is something that is fundamental, which contains beliefs, shared core values, something that is a core feature that is believed and implemented jointly by all members of the organization. Likewise, Rohman (2021) found that the organizational culture at Telkom University is in the strong category, employee engagement is in the high category and the employee's performance is above the target. Similarly, Maryati *et al.* (2019) found that spiritual leadership and job satisfaction have a significant effect on job satisfaction as does organizational culture on employee performance. Furthermore, Awadh and Saad (2013) found that employee performance is enhanced by an organizational culture in which employees are viewed as an intrinsic element of the organization's growth process, hence the employees match their aims and ambition to that of the organization to see to its growth. Based on it, this study develops following hypothesis:

H_4: There is a positive relationship between organizational culture and performance.

Employee empathy

Empathic employees understand their customers' needs more fully and are therefore able to tailor their interactive behaviors to specific customers (Giacobbe *et al.,* 2006). In addition, because empathy enhances employees' understanding of customer needs, higher levels of customer satisfaction result (Homburg *et al.,* 2009). Similarly, empathy enables customers to recognize the efforts frontline employees make on the customer's behalf and in addition, interpersonal sensitivity and concern for the employee relate positively to customer satisfaction (Gremler and Gwinner, 2000). Furthermore, Bahadur *et al.* (2020) found that the understanding of empathy within banking services during interactions between service employees and customers. The study suggested insights for service managers and frontline service employees on how empathy develops customer's trust and satisfaction with service employee. Based on it, this study develops following hypothesis:

H_5: There is a positive relationship between employee empathy and performance.

3. Results and discussion

Descriptive statistics

The descriptive statistics used in this study consists of minimum, maximum, mean and the standard deviation associated with variables under consideration. Therefore, descriptive statistics enables to present the data in a more meaningful way, which allows simpler interpretation of the data. Table 3.1 presents the descriptive statistics of selected dependent and independent variables during the period 2014/15 to 2020/21.

Table 2

Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of 27 Nepalese commercial banks for the study period of 2014/15 to 2020/21. The dependent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage) and ROE (Return on equity as measured by the ratio of net income to total shareholders' equity, in percentage). The independent variables are SP (Succession planning), TD (Training and development), EM (Employee motivation), OC (Organizational culture) and EE (Employee empathy).

Variables	Minimum	Maximum	Mean	S. D.
ROA	0.01	3.12	1.56	0.55
ROE	5.46	55.31	15.26	5.71
SP	1.00	5.00	3.23	1.21
TD	1.00	5.00	3.18	1.17
EM	1.20	5.00	3.22	1.20
OC	1.00	5.00	3.12	1.19
EE	1.00	5.00	3.12	1.19

Source: SPSS output

Correlation analysis

On analysis of data, correlation analysis has been undertaken first and for this purpose, Kendall's Tau correlation coefficients along with means and standard deviations have been computed and the results are presented in Table 2.

Table 3

Pearson's correlation coefficients matrix

This table shows the bivariate Pearson's correlation coefficients of dependent and independent variables of 27 Nepalese commercial banks for the study period from 2014/15 to 2020/21. The dependent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage) and ROE (Return on equity as measured by the ratio of net income to total shareholders' equity, in percentage). The independent variables are SP (Succession planning), TD (Training and development), EM (Employee motivation), OC (Organizational culture) and EE (Employee empathy).

Variables	ROA	ROE	SP	TD	EM	OC	EE
ROA	1						
ROE	0.407**	1					
SP	0.333**	0.168	1				
TD	0.301**	0.173*	0.881**	1			
EM	0.278**	0.148	0.897**	0.918**	1		
OC	0.284**	0.164	0.867**	0.901**	0.919**	1	
EE	0.267**	0.140	0.843**	0.903**	0.916**	0.904**	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

Table 3 shows that succession planning ratio is positively correlated to return on assets. It means that increase in succession planning ratio leads to increase in return on assets. Similarly, there is a positive relationship between training and development and return assets. It means that increase in training and development leads to increase in return on assets. Likewise, employee motivation has a positive relationship with return on assets. It shows that increase in employee motivation leads to increase in return on assets. Furthermore, there is a positive relationship between organizational culture and return on assets. It indicates that increase in organizational culture leads to increase in return on assets. In contrast, employee empathy has a positive relationship with return on assets. It indicates that increase in employee empathy leads to increase in return on assets.

Similarly, the result also shows that succession planning ratio is positively correlated to return on equity. It indicates that increase in succession planning ratio leads to increase in return on equity. Likewise, there is a positive relationship between training and development and return on equity. It indicates that increase in training and development leads to increase in return on equity. In addition, employee motivation is positively related to return on equity. It shows that increase in non-performing assets leads to increase in return on equity. Furthermore, there is a positive relationship between organizational culture and return on equity. It indicates that increase in organizational culture leads to increase in return on equity. In addition, employee empathy has a positive relationship with return on equity. It means that increase in leverage ratio leads to increase in return on equity.

Regression analysis

Regression analysis is a statistical process for estimating the relationships among variables. The regression results were estimated where succession planning, training and development, employee motivation, organizational culture and employee empathy are used as independent variables and dependent variables are return on assets and return on equity.

Table 4 shows the estimated regression results of succession planning, training and development, employee motivation, organizational culture and employee empathy on return on assets of Nepalese commercial banks.

Table 4

Estimated regression results of succession planning, training and development, employee motivation, organizational culture and employee empathy on return on assets of Nepalese commercial banks

The results are based on panel data of 27 commercial banks with 189 observations for the period of 2014/15-2020/21 by using the linear regression model and the model is ROA = $\beta_0 + \beta_1 SP_{it} + \beta_2 TD_{it} + \beta_3 EM_{it} + \beta_4 OC_{it} + \beta_5 EE_{it} + e_{it}$ where, the dependent variable is ROA (Return on assets is measured as the ratio of net income to total assets, in percentage). The dependent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage) and ROE (Return on equity as measured by the ratio of net income to total shareholders' equity, in percentage). The independent variables are SP (Succession planning), TD (Training and development), EM (Employee motivation), OC (Organizational culture) and EE (Employee empathy).

Model	Intercept	Regression coefficients of					Adj. R_bar^2	SEE	F-value
		SP	TD	EM	OC	EE			
1	1.033 (7.466) **	0.161 (4.007) **					0.104	0.556	16.059
2	1.071 (7.485) **		0.151 (3.585) **				0.084	0.562	12.853
3	1.113 (7.816) **			0.136 (3.285) **			0.070	0.566	10.792
4	1.115 (8.008) **				0.140 (3.358) **		0.073	0.565	11.279
5	1.142 (8.182) **					0.131 (3.151) **	0.064	0.568	9.926
6	1.025 (7.098) **	0.146 (1.713)	0.018 (0.198)				0.097	0.558	7.990
7	1.036 (7.137) **	0.184 (1.910)	0.075 (0.675)	-0.099 (0.851)			0.095	0.559	5.556
8	1.035 (7.100) **	0.183 (1.869)	0.071 (0.606)	-0.105 (0.806)	0.012 (0.109)		0.088	0.561	4.138
9	1.036 (7.075) **	0.182 (1.849)	0.079 (0.636)	-0.096 (0.687)	0.019 (0.162)	0.024 (0.203)	0.081	0.563	3.293

Notes:

i. Figures in parenthesis are t-values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

iii. Return on asset is the dependent variable.

Table 4 shows that the beta coefficients for succession planning are positive with return on assets. It indicates that succession planning has a positive impact on return on assets. This finding is similar to the findings of Sharma *et al.* (2015). The beta coefficients for training and development are positive with return on assets. It indicates that training and development has a positive impact on return on assets. This finding is similar to the findings of Ugbomhe *et al.* (2016). Similarly, the beta coefficients for employee motivation ratio are positive with return on assets. It indicates that employee motivation ratio has a positive impact on return on assets. This finding is similar to the findings of Mullins (2005). Likewise, the beta coefficients for organizational culture are positive with return on assets. It indicates that organizational culture has a positive impact on return on assets. This finding is not consistent with the findings of Maryati (2019). Also, the beta coefficients for employee empathy are positively with return on assets. It indicates that employee empathy has a positively impact on return on assets. This finding is similar to the findings of Bahadur *et al.* (2020).

Table 5 shows the estimated regression results of SP (Succession planning), TD (Training and development), EM (Employee motivation), OC (Organizational culture) and EE (Employee empathy) ratio on return on equity of Nepalese commercial banks.

Table 5

Estimated regression results of succession planning, training and development, employee motivation, organizational culture and employee empathy on return on equity of Nepalese commercial banks

The results are based on panel data of 27 commercial banks with 189 observations for the period of 2014/15-2020/21 by using the linear regression model and the model is ROE = $\beta_0 + \beta_1 SP_t + \beta_2 TD_{it} + \beta_3 EM_{it} + \beta_4 OC_{it} + \beta_5 EE_{it} + e_{it}$ the dependent variable is ROE (Return on equity is measured as the ratio net income to total shareholders' equity, in percentage). The dependent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage) and ROE (Return on equity as measured by the ratio of net income to total shareholders' equity, in percentage). The independent variables are SP (Succession planning), TD (Training and development), EM (Employee motivation), OC (Organizational culture) and EE (Employee empathy).

Model	Intercept	Regression coefficients of					Adj. R_bar^2	SEE	F-value
		SP	TD	EM	OC	EE			
1	12.064 (9.449) **	0.717 (1.938)					0.021	5.134	3.757
2	11.930 (9.150) **		0.769 (2.001) *				0.023	5.130	4.003
3	12.319 (9.515) **			0.639 (1.699)			0.014	5.151	2.885
4	12.150 (9.609) **				0.714 (1.887)		0.019	5.138	3.560
5	12.487 (9.868) **					0.605 (1.601)	0.012	5.158	2.564
6	11.839 (8.895) **	0.293 (0.373)	0.501 (0.614)				0.016	5.174	2.058
7	11.904 (8.888) **	0.528 (0.594)	0.856 (0.830)	-0.607 (0.566)			0.011	5.161	1.471
8	11.884 (8.836) **	0.482 (0.535)	0.732 (0.673)	-0.805 (0.668)	0.385 (0.365)		0.004	5.178	1.129
9	11.908 (8.819) **	0.462 (0.510)	0.885 (0.775)	-0.606 (0.472)	0.529 (0.480)	0.492 (0.456)	-0.002	5.195	0.939

Notes:

i. Figures in parenthesis are t-values.
ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
iii. Return on equity is the dependent variable.

Table 5 shows that the beta coefficients for succession planning are positive with return on equity. It indicates that succession planning has a positive impact on return on equity. This finding is similar to the findings of Sharma *et al.* (2015). The beta coefficients for training and development are positive with return on equity. It indicates that training and development have a positive impact on return on equity. This finding is similar to the findings of Ikomba (2013). Similarly, the beta coefficients for employee motivation are positive with return on equity. It indicates that employee motivation has a positive impact on return on equity. This finding is consistent with the findings of Simon and DeVaro (2006). Likewise, the beta coefficients for organization culture are positive with return on equity. It indicates that organization culture has a positive impact on return on equity. This finding is consistent with the findings of Indiyati (2014). Moreover, the beta coefficients for employee empathy are positive with return on equity. It indicates that employee empathy has a positive impact on return on equity. This finding is similar to the findings of Bahadur *et al.* (2020).

4. Summary and conclusion

Banks are expected to execute their functions in a way that it increases confidence and stability. Commercial banks play an important role in the development of a country. A sound, progressive and dynamic banking system is a fundamental requirement for economic developments. Bank's profitability provides an important source of equity especially if reinvested into the business. A well designed and implemented financial management is expected to contribute positively to the creation of a firm's value. Performance refers to the task-oriented consequence or activity that exhibits how well these tasks or actions are finished by employees. The study also concludes that return on assets and return on equity are the major determinants of profitability in Nepalese commercial banks.

The study is based on both primary and secondary sources of data which are gathered from 27 commercial banks in Nepal. For primary data a structured questionnaire was used. Similarly, for secondary data is collected for the period of 7 years from 2014/15 to 2020/21.

The major conclusion of this study is that succession planning, training and development, employee motivation, organizational culture and employee empathy are positively correlated to the return on assets and return on equity in Nepalese commercial banks. This indicates that succession planning, training and development, employee motivation, organizational culture and employee empathy provided by commercials banks leads to the increase in return on assets and return on equity of the commercial banks in Nepal. Finally, the study concludes that the most influencing factor is succession planning followed by training and development and organizational culture that explains the return on assets in Nepalese commercial banks. Similarly, the study also concludes that the most dominant factor is training and development followed by succession planning and organizational culture that explains the return on equity in Nepalese commercial banks.

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