



Factors Affecting the Business Performance of the Companies: Evidence from Pakistan Listed Banks

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Abstract:

The study's goal was to uncover elements that influence the business performance of Vietnam-listed joint stock commercial banks. The study's goal was to determine the impact of macroeconomic and government laws, clientele, funding sources, leadership and promotional methods, and promotional strategies on the business performance of Vietnamese commercial banks listed on the stock exchange. The research study used a descriptive research design as its principal approach, collecting data via questionnaires from a sample of joint stock commercial banks registered in Vietnam. Data was gathered from both primary and secondary sources. Primary data was acquired by distributing questionnaires to the institutions' personnel. Their goal was to elicit a wide range of responses from participants, which were then used to answer the study questions. The survey consisted of closed-ended questions, while secondary data sources included institutional annual reports and previous studies. The data was analyzed using descriptive statistics and the Statistical Package for the Social Sciences (SPSS 21.0) as well as advanced Excel. Reports were compiled using frequency tables for clarity. The research discovered a link between the independent factors of customer, finance source, advertising techniques, and leadership and the dependent variable of business performance. According to the study's findings, clientele and funds had the largest impact on commercial bank performance, followed by promotional techniques. According to the findings, the impact of leadership on the performance of the bank was rather minor. The study suggests that financial sector participants maintain an acceptable clientele and support healthy competition. Scholars, the government, and the private sector should be made aware of the findings in order to help secure the nation's economic stability, as banking is a significant sector.

Keywords- Performance of the Companies: Evidence from Pakistan Listed Banks

Introduction

The ability to generate income and employment, improve business management capabilities, and foster innovation and entrepreneurship are all examples of what is meant by "SME talk." SMEs, in particular, contribute significantly to the development of administrative expertise and the encouragement of innovation. Small and medium-sized enterprises (SMEs)



also contribute to the establishment of a flexible industrial production system with strong interconnections, maximizing the usage and mobilization of local resources, creating a more robust competitive market, and generating beneficial economic collateral effects. As a result, stimulating the expansion of small and medium-sized firms (SMEs) is viewed as an efficient technique of mobilizing capital and other resources required for company operations and production, hence promoting socialization and economic stability. To maintain its survival and expansion in today's highly competitive market, Es must take a proactive approach and actively seek profit-boosting methods. Before continue, the Es proprietor must have a basic awareness of the variables that influence his Es's performance. Profitability is the major statistic used to evaluate Es's performance, and it is a critical component of its financial statements. An Es's profitability reflects its ability to generate revenue within a given timeframe. Profitability is the key factor in supporting managers in developing an effective profitability strategy for Es.

Literature review

According to investment research conducted by Lei and Chen (2011), businesses engage in direct investment when three requirements are met. The criteria are as follows: (i) enterprises must have competitive advantages over other businesses, such as scale, technology, marketing network, and access to low-productivity capital; (ii) localization: using those advantages internally within the enterprise is preferable to selling them to other businesses or to other businesses; and (iii) production costs in the host country are lower than those in the host country. Furthermore, Lei and Chen (2011) demonstrate a Taiwanese company's investment decision in Vietnam. Jabri et al. (2013) and (2015) also show the elements that influence investment in the MENA region. This forms the basis for the study presented in this publication. According to Jensen (2003) and Jouili (2018)'s investment behavior theory, the following factors have a direct influence on investor behavior: (i) fluctuations in demand; (ii) interest rates; (iii) the level of development of the financial system; (iv) public investment; (v) human resources; (vi) other investment initiatives within the same or related industries; and (vii) the state of technological advancement and the capacity to assimilate and implement technology. Kwiatkowski, Philipps, Schmidt, and Shin (1992) used time series to test the null hypothesis. Tran (2009) and Parker, Phan, and Nguyen (2005) show a link between Vietnam's infrastructure and its ability to attract foreign investment. Several studies have been conducted to investigate the factors that influence foreign direct investment (FDI) in various nations.



Loree and Guisinger (1995), for example, investigated the drivers of FDI in the United States, whereas Louail (2019), Mina (2007), Mina (2012), and Moosa (2009) investigated the determinants of FDI in Arab countries. Nnadi and Soobaroyen (2015) investigate the link between FDI in Africa and financial reporting requirements. FDI and the implementation of international financial reporting standards in developing countries are discussed in Rogmans (2013) and Pricope (2017). Pesanran and Shin et al. (1997), (1998), and (1999) show that business happiness refers to the level of fulfillment that firms feel when investing in a certain country. Three elements influence this satisfaction: (i) the infrastructure attribute group; (ii) business policy and service support (SS) attribute group; and (iii) living and working environment attribute group. The writers also explore the impact of domestic small and medium-sized firms (SMEs) on FDI attraction in developing countries. Nguyen et al. (2020) explore the impact of working capital on the profitability of Vietnamese enterprises. Nguyen et al. (2020) discuss the determinants of enterprises listed on the Vietnam Stock Exchange. Xuan (2020) investigates the major drivers that effect FDI in Vietnam in his work titled "Factors Affecting Foreign Direct Investment: Evidence from Foreign Technology Enterprises in Vietnam," focusing on case studies of technology FDI firms. The enterprise size category of Models represents the organization's size and how its components are constructed and arranged. A variety of indicators, such as capital scale, staff count scale, revenue scale, profit scale, and others, can be used to estimate the size of a corporation.

The determination of enterprise scale in Vietnam is governed by the Government Decree No. 56/2009 / ND-CP of June 30, 2009, on Assistance for the Development of Small and Medium-Sized Enterprises. The two fundamental factors of firm scale are capital and labor. According to Fausto et al. (2013), the type of enterprise, the age of the proprietor, and the number of capital contributors all influence firm size. Furthermore, Mssimo and Colombo (2015) claim that the model of determinants impacting firm capital size explains a lot about company activities, import-export business type, and founding member count. Furthermore, the authors stated that the volume of firm capital is influenced by the organization's capital contribution, the number of employees, and the industry's rate of return on total assets. The gender and age of the person in the most powerful position inside the organization also have an impact on its scale. According to Xuan et al. (2020), based on research conducted in Vietnam, the capital size of a company is closely related to the



type of business registration, the business sector, and whether the company is a domestic or international exporter.

The business lines of a company, the type of business registration, the location of production and business establishments, the operating hours of enterprises, and the organization's percentage capital contribution to the company's capital structure all influence the magnitude of its capital. A review of many studies shows that a variety of factors influence the commercial performance of SMEs in particular and Es in general. A. and VC Baard. Van den Berg is a Dutch name. The Es scale is a strong influencer of its commercial outcomes, according to study by Ari Kokko and Fredrik Sjöholm (2004), Henrik Hansen, John Rand, and Finn Tar (2002). R. Panco conducted research on this topic. and H. Korn. The age of an Es, according to Henrik Hansen et al. (2002) and (1999), is a variable that influences its survival and development. Henrik Hansen et al. (2002) shown that the education level of the Es proprietor as well as government support policy influence the commercial performance of SMEs. Furthermore, the author expresses concern about the extent to which government support programs effect Es's corporate performance. Furthermore, sales growth and the social system have an impact on corporate performance.

Results

4.1. Aspects influencing VLB's business success The linear regression analysis yielded the following results: (1) Observed significance level Sig. A significance level of 0.00 implies that the null hypothesis (H_0) is rejected. This implies that a linear relationship, at least one of which is an independent variable, exists between VLB's business performance (as measured by the rate of profit) and the aforementioned factors; a linear regression model is thus appropriate for the data; (2) The adjusted R^2 value is less than the R^2 , indicating that it is more suitable for evaluating the model and does not inflate; the Durbin-Watson coefficient for the model is 1,936, indicating that it is suitable for evaluating the model and Furthermore, the variance magnification (VIF) of the model's variables is less than 10, implying that multicollinear phenomena do not exist among the model's variables.

Criteria	Variables	Coefficient (B)	Level of significance (Sig.)	VIF
Constant		0.398	0.000	
The number of Clients	X1	0.50	0.000	1.105
The sources of funds	X2	0.60	0.005	1.061
The ability of leadership	X3	0.40	0.000	1.203
The promotional strategies	X4	0.52	0.008	1.084
The regulation government	X5	0.39	0.002	1.091
The	X6	0.32	0.004	1.052



Table 1

The fact that the variable X1 (client count) has a favorable impact on VLB's business performance demonstrates the importance of this component in regard to company operations. VLB does a lot of business, which is consistent with the author's first thesis. In fact, the more customers a bank attracts, the higher its earnings. Furthermore, in addition to the impact of the source of funds, the variable X2 has a considerable beneficial influence on the efficacy of business operations. Banks with vast resources can collect significant wealth to support both their operating activities and creative investment ventures. Furthermore, because of their huge financial resources, these have several advantages; as a result, their performance is likewise extraordinary. Leadership capability X3 is also positively related to the effectiveness of VLB. Owners receive better access to modern management science tools that promote the expansion and creation of opportunities for banks as their degree of leadership rises.

They also benefit from a more comprehensive and knowledgeable network in terms of institutions and policy laws. Promotional strategies: Increasing advertising expenditures will boost the institutions' business performance. The variables X4 have a positive effect on VLB efficacy. Government regulation A positive sign (+) for the coefficient of factor X5 (government regulation) suggests that when the government supports regulatory measures, banks run more effectively in Vietnam. This is because banks have been subjected to governmental scrutiny and more favorable rules, both of which have a good impact on corporate performance. The X6 variable also has a positive correlation coefficient with bank performance in the field of



macroeconomics. This illustrates that long-term macroeconomic issues have an effect on VLB's business performance. 4.2. Aspects impacting VLB performance At a significance level of 0.000, the model's statistical value F reveals that the safety level contradicts the Ho hypothesis, implying the existence of the link. The data support the linear regression model since the connection between at least one of the parameters and VLB performance (as evaluated by the profit-total assets ROA ratio) is linear. Reasonably, the coefficient of determination (R²) is 86.1%, meaning that the general oscillations of the contributing factors account for about 86.1% of the variance in VLB performance. The particular results for each variable are as follows:

The estimated value of 1 for Number of Clients - X₁ X₁ is 0.50 (sig. 0.0000), indicating that a 1% increase in the number of clients results in a 0.5% rise in the return on assets (ROA). The findings of the authors' research are consistent with the findings of B's investigation. Ramasamy (2005) made the following statement. Smaller banks will have a smaller customer than larger institutions. As a result, the greater the number of customers a bank has, the higher its ROA. The source of funds has a significant impact on returns, as indicated by the value of sig when 2 is as large as 0.6. (0.005) is much more than the 5% level of significance. This discovery is consistent with the findings of a collaborative research effort led by D. Both T. as well as Mehari. Aemiro Thirteen (2013). Extensive research shows that banks with more funds create higher earnings. Banks, on the other hand, are unable to create a significant ROA due to their limited capital. As demonstrated by an estimated value of 3 of 0.40 (sig. 0.0000), the influence of leadership ability on profitability is mostly positive. That example, for every 1% increase in leadership skill, the return on assets (ROA) will increase to 0.40%. This study's findings are consistent with the studies examined by A. The author is Vijayakumar (2011).

According to the World Bank, and consistent with contemporary economic theory, banks play a key role in an economy's development and success. Banks have the ability to create more jobs than huge enterprises. The limited scope of banks supports activity establishment and coordination. Profit rises are more likely in proportion to bank efficacy. At the moment, VLB's promotional efforts have a positive impact on profitability, as demonstrated by a 4 coefficient of 0.52 (sig. 0.008). Thus, when banks' promotional methods increase by 1%, the ROA will rise to 0.52%. This study's findings are consistent with A's investigations. Gonzalez, 2009. The data indicate that the regulation government has an effect on VLB profitability (X₅) at a significant level of 0.002. This variable's estimated X₅ value is 0.39, which is a significant number. This



suggests that a 1% increase in government regulation leads to a 0.39% increase in bank ROA. This study differs from the one analyzed by A.

Stierwald, A.K. Salman, and D. Yazdanfar's (2012) research, as well as D. Government regulation of banks, according to Yazdanfar (2013), has a negative impact on earnings. The macroeconomic factors that determine profitability are represented by X6; their estimated value, designated as β_6 , is 0.32 (p 0.004). As a result, a 1% increase in the VLB macroeconomic components will result in an increase in the ROA to 0.32%. The findings of this study are supported by past studies that have been validated by A. Vijayakumar, A.K. Salman, and D. D. Yazdanfar (2012), as well as his own independent study. Yazdanfar (2013) claimed this.

Conclusion

The VLB's investment level is considerable, versatile, and ideal for providing capital support to developing economies. VLB is an appropriate and efficient way for businesses and individuals to mobilize resources in support of economic development. The current VLB development, in particular for Vietnam, meets all socioeconomic development needs; VLB usually work with long-term aims over large territories. Furthermore, the level of competition is fairly high. According to the study's findings, elements such as the number of clients, the source of finances, and advertising techniques have the biggest impact on VLB's business performance. The author hopes that, in light of the research findings, relevant departments and agencies would immediately implement action plans targeted at further developing VLB, thereby making a significant contribution to the nation's socioeconomic advancement. The study estimated and identified the following variables that influence bank performance using least squares estimation in a multivariate regression model: number of clients, source of funds, promotional strategies, leadership capability, government regulations, and macroeconomic factors. According to the research findings, as VLB's financial resources improve, so does the efficacy of its actions. With the help of the research findings, the writers have synthesized a variety of recommendations to assist VLB in improving its existing business performance.

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