

Paper: “Examining Performance Determinants of Commercial Banks: Evidence from the Tanzanian Banking Sector”

Submitted: 12 April 2024

Accepted: 16 May 2024

Published: 31 May 2024

Corresponding Author: Kessellie Traore Mulbah

Doi: [10.19044/esj.2024.v20n13p19](https://doi.org/10.19044/esj.2024.v20n13p19)

Peer review:

Reviewer 1: Mauro Aliano
University of Ferrara, Italy

Reviewer 2: Ngwengeh Beloke
University of Biea, Cameroon

Reviewer 3: Blinded

Reviewer B:
Recommendation: Resubmit for Review

The TITLE is clear and it is adequate to the content of the article.

I suggest a revision of the title. See the attached file.

The ABSTRACT clearly presents objects, methods, and results.

I suggest clarifying the importance and motivation behind the chosen sample. See the attached file.

There are a few grammatical errors and spelling mistakes in this article.

I'm not a native speaker, but the text seems clear to me.

The study METHODS are explained clearly.

I suggest strongly revising this section to address causality between determinants and performance. See the attached file.

The body of the paper is clear and does not contain errors.

yes

The CONCLUSION or summary is accurate and supported by the content.

I suggest to provide more detailed conclusions. See the attached file.

The list of REFERENCES is comprehensive and appropriate.

I suggest providing more detailed literature review

Please rate the TITLE of this paper.

[Poor] **1-5** [Excellent]

2

Please rate the ABSTRACT of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the LANGUAGE of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the METHODS of this paper.

[Poor] **1-5** [Excellent]

2

Please rate the BODY of this paper.

[Poor] **1-5** [Excellent]

3

Please rate the CONCLUSION of this paper.

[Poor] **1-5** [Excellent]

2

Please rate the REFERENCES of this paper.

[Poor] **1-5** [Excellent]

2

Overall Recommendation!!!

Return for major revision and resubmission

Comments and Suggestions to the Author(s):

I am truly grateful for the opportunity to thoroughly review this paper, and I extend my heartfelt thanks to the editor for their consideration.

When crafting the title for the paper, it's advisable to incorporate a statement that encapsulates the essence of the research domain. For instance, a title like 'Evidence of performance determinants in Tanzanian banking system' not only underscores the study's significance within the academic landscape but also maintains a degree of intrigue by withholding specific variables. Furthermore, the determinant variables employed serve as proxies for critical dimensions of banking, such as CAR denoting capital quality and adequacy, and ROA signifying bank performance.

In the abstract, to underscore the significance of this study, I recommend including, following "ten (10) banks," the percentage of total assets held by these banks relative to the total assets of Tanzanian banks. This addition provides valuable context, illustrating the magnitude of influence these banks exert within the Tanzanian banking landscape.

To mitigate the cherry-picking concern, it's advisable to offer a rationale for the selection of specific variables in the introduction. For instance, elucidating why authors opt for ROA over ROE and CAR over Common Equity Tier 1 can bolster the paper's robustness. Drawing upon evidence from existing literature to support these choices not only enhances the credibility of the research but also demonstrates a thorough consideration of alternative metrics and their respective merits within the context of the study. This approach fosters transparency and strengthens the overall integrity of the paper.

Starting the literature review from a specific reference, such as Jordan Khrawish (2011), might suggest that the authors find relevance or similarity between the economic or banking systems of Jordan and the context being studied, such as Tanzanian banking. It's possible that the authors have identified similarities or parallels in the regulatory frameworks, market structures, or economic conditions that make insights from Jordanian banking applicable to the Tanzanian context. Similarly, if there are comparisons drawn with Chinese banking systems, it could imply that the authors perceive similarities or contrasts between the banking environments of Tanzania and China, warranting examination of relevant literature from both regions to contextualize their study. However, without further elaboration or clarification within the paper, it's difficult to ascertain the specific rationale behind referencing these particular studies at the outset of the literature review. If you're reviewing this paper, you might consider raising these questions or suggesting that the authors provide more explicit justification for their choice of starting point in the literature review. Clarifying the similarities or differences between the economies or banking systems being compared could strengthen the paper's theoretical framework and contribute to a more comprehensive understanding of the research context.

Updating the references to include recent and significant studies is crucial for ensuring the paper's relevance and credibility. By incorporating the latest research findings, the paper can better capture the current state of knowledge in the field and strengthen the validity of its arguments and conclusions. I recommend the authors

conduct a thorough review of recent literature to identify key studies that provide valuable insights and support their research objectives. Additionally, they should ensure that the references cited reflect the most up-to-date scholarship available in the field. This proactive approach will enhance the quality and impact of the paper.

Certainly, enhancing the formulation of research hypotheses with detailed and updated literature would significantly strengthen the paper's theoretical framework and research design. Authors could achieve this by conducting a comprehensive review of recent literature related to their research topic, including studies that have explored similar hypotheses or theoretical frameworks. By synthesizing and critically evaluating existing literature, authors can identify gaps, inconsistencies, or emerging trends in the field, which can inform the development of more nuanced and theoretically grounded research hypotheses. Additionally, integrating recent findings and theoretical perspectives into the formulation of hypotheses can ensure that the research remains relevant and contributes meaningfully to advancing knowledge in the field.

Providing a clear explanation of the motivation behind sample selection is essential for ensuring transparency and understanding the representativeness of the study. Authors should articulate the criteria used to select the sample and justify why it is appropriate for addressing the research objectives. Furthermore, assessing the balance of the sample is critical for evaluating the generalizability of the study's findings. Authors should examine whether the sample is representative of the population of interest and whether it adequately captures variation across relevant dimensions. This involves considering factors such as the size, diversity, and composition of the sample in relation to the broader population of Tanzanian banks. Incorporating these considerations into the paper would strengthen the methodological rigor and validity of the study, enabling readers to assess the reliability and applicability of the findings with greater confidence.

Integrating lagged variables into the econometric model is indeed a commonly employed strategy to mitigate endogeneity concerns and enhance the robustness of causal inference. By incorporating lagged independent variables, researchers can account for potential temporal dependencies and better capture the dynamics of the relationships under investigation. In revising the methodology section, authors should provide a detailed rationale for the inclusion of lagged variables and discuss how this approach helps address endogeneity concerns. Additionally, they should clearly outline the econometric model specification, including the lag structure of the independent variables and any relevant control variables. Furthermore, authors should consider conducting additional tests to assess the validity of the model and explore alternative specifications. This could involve diagnostic tests for endogeneity, such as instrumental variable (IV) analysis or tests for autocorrelation and heteroscedasticity. Additionally, sensitivity analyses or robustness checks can help evaluate the robustness of the results to different model specifications or sample compositions. Overall, by incorporating lagged variables into the econometric model and conducting additional tests for endogeneity and robustness, authors can strengthen the methodological rigor of the study and enhance the credibility of the findings.

Please define “dCAR variable”. Is it the variation of CAR?

The discrepancy between the total number of observations reported in the tables (82) and the expected number based on the number of banks (10) and years (22) warrants clarification from the authors.

The policy implications outlined in the paper are somewhat nebulous. To offer more actionable guidance for policymakers, it's essential to delineate specific actions that can be taken in response to the findings. By providing concrete recommendations grounded in the research findings, policymakers can better understand how to address key challenges and capitalize on opportunities within the banking sector. This may involve strategies such as enhancing regulatory frameworks, fostering competition and innovation, promoting risk management practices, investing in financial education, strengthening monitoring and supervision, and encouraging sustainable banking practices. By delineating clear and practical policy measures, the paper can serve as a valuable resource for policymakers seeking to enhance the resilience, efficiency, and stability of the banking system.

How does this paper connect with others that explore determinants of performance in the Tanzanian banking system? I've come across at least three other papers addressing this topic. Why haven't the authors cited these papers?

Reviewer D:
Recommendation: See Comments

The TITLE is clear and it is adequate to the content of the article.

Yes, It is simple and easy to understand the aim of the study

The ABSTRACT clearly presents objects, methods, and results.

Yes. However, as part of the key words, commercial banks should be added

There are a few grammatical errors and spelling mistakes in this article.

Little or no major issue with the grammatical context

The study METHODS are explained clearly.

Yes.

1) However, under H1(Alternative Hypothesis 1, financial performance should be replaced with return on assets since its more specific. This applies to all the stated Hypotheses)

2) There is no proxy for Bank Size which is one of the main variables in the study(see table 2)

The body of the paper is clear and does not contain errors.

It does not contain significant errors

The CONCLUSION or summary is accurate and supported by the content.

3) It is not scientifically ok to include acknowledgments at this level of the paper. See section under conclusion

The list of REFERENCES is comprehensive and appropriate.

The list of reference has been appropriately written but I don't think its comprehensive enough for this kind of study. Just 11 referred works seem not sufficient.

Please rate the TITLE of this paper.

[Poor] 1-5 [Excellent]

5

Please rate the ABSTRACT of this paper.

[Poor] 1-5 [Excellent]

5

Please rate the LANGUAGE of this paper.

[Poor] 1-5 [Excellent]

4

Please rate the METHODS of this paper.

[Poor] 1-5 [Excellent]

4

Please rate the BODY of this paper.

[Poor] 1-5 [Excellent]

4

Please rate the CONCLUSION of this paper.

[Poor] **1-5** [Excellent]

4

Please rate the REFERENCES of this paper.

[Poor] **1-5** [Excellent]

3

Overall Recommendation!!!

Accepted, minor revision needed

Comments and Suggestions to the Author(s):

The authors are applauded for this brilliant work.

Reviewer E:

Recommendation: Accept Submission

The TITLE is clear and it is adequate to the content of the article.

The title covers the issue discussed in the text : The Effect of Bank Size, Net Interest Margin, and Capital Adequacy Ratio on Commercial Banks' Return on Assets: Empirical Evidence from Tanzania.

The ABSTRACT clearly presents objects, methods, and results.

The authors represent object and methodology of the research - The main purpose of this study is to examine the new evidence of the effect of bank size, capital adequacy

ratio (CAR), and net interest margin (NIM) on banks' return on assets (financial performance) from the perspective of Tanzania. Authors used the Random Effect, and the Generalized Least Squares (GLS) regression models utilizing a panel dataset spanning the period 2000 to 2022 of ten (10) Tanzanian commercial banks to examine the specific effect of the foregoing variables on commercial banks' financial performance. The result reveals that capital adequacy ratio (CAR) and bank size have positive significant effects on the financial performance of commercial banks in Tanzania. Whereas authors found inconsistent results for the effect of NIM; while the random effect model shows a marginally significant positive effect on ROA, the GLS regression shows a significant negative effect, indicating that the effect of NIM could be either positive or negative depending on the context.

There are a few grammatical errors and spelling mistakes in this article.

There are grammatical errors and spelling mistakes in this article, that must be corrected.

The study METHODS are explained clearly.

This work was based on Testing the econometric model. To test the effect of capital adequacy ratio, net interest margin, and bank size on banks' financial performance - measured by return on asset – from an empirical standpoint, authors employed the multivariate model.

The dataset utilized in this study encompasses 10 Tanzania Commercial banks from the period 2000-2022. The dataset includes both cross-sectional and time series information, allowing for the examination of individual variability and dynamic adjustments over time. Data were sourced from published resources, such as the audited financial reports and annual reports of the selected commercial banks.

The body of the paper is clear and does not contain errors.

The body of the paper is clear and does not contain errors.

The CONCLUSION or summary is accurate and supported by the content.

The conclusions is supported by the content – The effect of the determinants of bank financial performance has been the subject of extensive research in the field of finance in recent decades. A number of studies have explored the relationship between these determinants and their impact on the financial performance of commercial banks in the context of advanced countries. Through empirical investigation into Tanzania's – a least developed country – banking sector, this study sought to examine the effect of bank size, capital adequacy ratio (CAR), and net interest margin (NIM) on commercial banks' return on assets (ROA). Using a panel data set of 10 Tanzanian commercial banks, we employed the random effect model and generalized least squares regression–result presented in Tables 9 and 10–to examine the effect of the explanatory variables on the regressand.

The result reveals that capital adequacy ratio (CAR) and bank size have positive significant effects on the financial performance of commercial banks in Tanzania. Whereas authors found inconsistent results for the effect of NIM; while the random

effect model shows a marginally significant positive effect on ROA, the GLS regression shows a significant negative effect, indicating that the effect of NIM could be either positive or negative depending on the context.

The list of REFERENCES is comprehensive and appropriate.

The references are presented at the appropriate level. Minor revision needed.

Please rate the TITLE of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the ABSTRACT of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the LANGUAGE of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the METHODS of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the BODY of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the CONCLUSION of this paper.

[Poor] **1-5** [Excellent]

5

Please rate the REFERENCES of this paper.

[Poor] **1-5** [Excellent]

5

Overall Recommendation!!!

Accepted, minor revision needed

Comments and Suggestions to the Author(s):

There are grammatical errors and spelling mistakes in this article, that must be corrected.
