

## **Determinants of bank profitability in a developing economy: empirical evidence from the Philippines**

### **ABSTRACT**

The present paper seeks to examine the determinants of Philippines banks profitability during the period 1990-2005. The empirical findings suggest that all the bank-specific determinant variables have a statistically significant impact on bank profitability. The empirical findings suggest that size, credit risk, and expense preference behaviour are negatively related to banks' profitability, while non-interest income and capitalisation have a positive impact. During the period under study, the results suggest that inflation has a negative impact on bank profitability, while the impact of economic growth, money supply, and stock market capitalisation have not significantly explained the variations in the profitability of the Philippines banks.

**Keyword:** Banks; Profitability; Multivariate regression analysis; Philippines