

**COMMERCIAL BANKS SERVICES AND  
PROFITABILITY IN THE LENS OF BANK CLIENT**



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**The University of Mindanao**

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**ACCEPTANCE AND APPROVAL SHEET**

This study entitled “**Commercial Banks Services and Profitability in the Lens of Bank Client**” prepared by **Tesha Mae L. Lihaylihay, and Rhea Grace M. Marcos** for the compilation of the requirements of Business Research (FM 301) with the code of 4629 and 1902, under the College of Business Administration Education of the University of Mindanao is hereby **accepted.**

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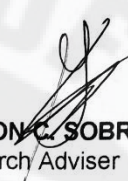
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## ABSTRACT

In today's world, where markets are becoming more liberal, the global financial markets have increased the volatility in the worldwide economy. A reliable and efficient commercial bank's services must do three things, which are to generate sufficient profit, provide its customers with the highest level of service, and maintain enough funds to offer to lenders. As a result, the researchers are interested in understanding how bank profitability and rate fluctuations affect each other. The purpose of this study is to determine the commercial banks' services and profitability through the lens of bank clients. There were 100 respondents in the study who were bank clients from different commercial banks in Davao City. The researchers utilized an approach known as the purposive sampling technique to select the participants who were qualified based on the criteria in the study. The following statistical tools that were used to evaluate and interpret the data collected in this study are the mean, standard deviation, and Pearson  $r$ . The results were analyzed using a descriptive and correlational research design. The study revealed that commercial banks have high deposits and loans, which results in high commercial bank services. It also showed that the banks have a high profitability. The researchers also found that commercial banks' services have a significant relationship with commercial banks' profitability. Specifically, deposits and loans have a positive and strong relationship with commercial bank profitability. This means that the higher the banks' services, the higher the profitability of the commercial banks. The researchers recommended that clients of commercial banks can contribute to the bank's profitability by maintaining a balanced approach between deposits and loans. Clients can actively support the bank's success by staying informed about interest rates, exploring investment options, and engaging in financial education. Timely loan repayment reduces the bank's risk, improving overall financial stability. On the other hand, owners and managers of commercial banks should prioritize optimizing deposit and loan management, diversifying the loan portfolio, forming strategic partnerships, and investing in technology, and have clear communication, competitive interest rates, and transparent loan processes to maintain a client-centric approach and ensure the bank's competitiveness in the market.

**Keywords:** *bank services, profitability, commercial banks*

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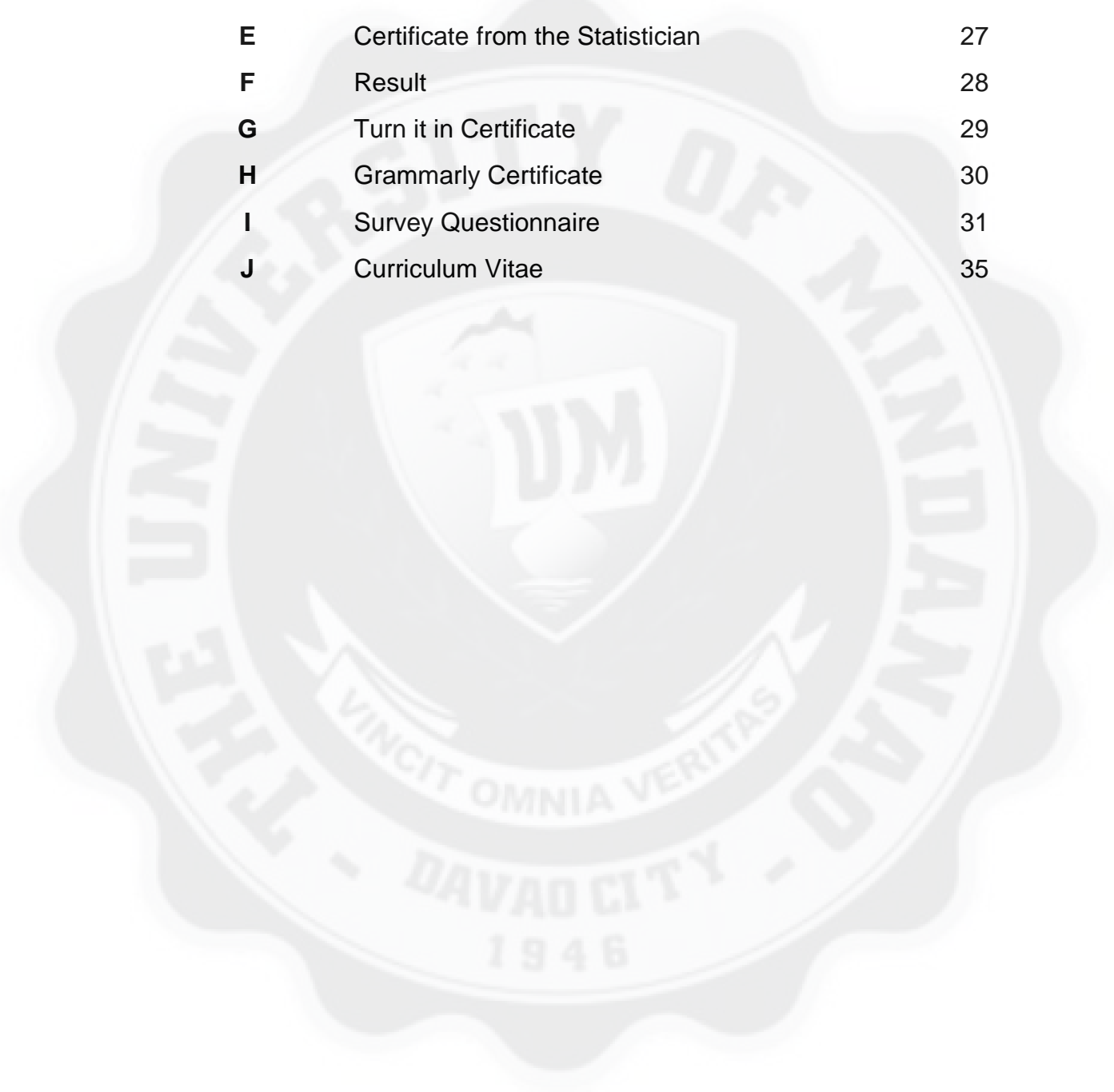
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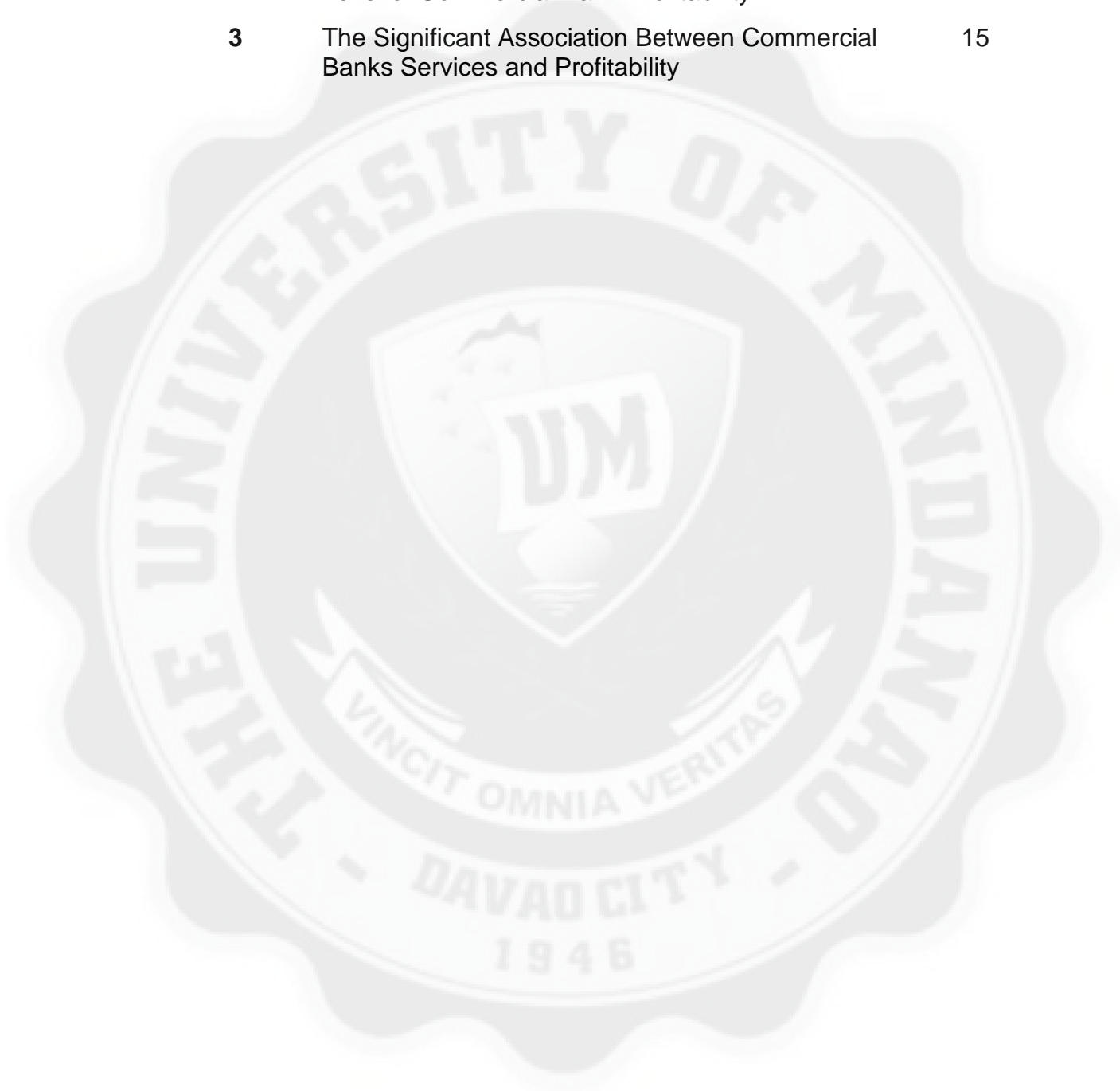
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## INTRODUCTION

The bank offers many banking services. In most cases, a bank is a financial institution authorized to issue loan products and receive deposits (Ross, 2023). Banks rely more on deposits bought from dealers, mortgage loan advances, and variable rates. The decline in bank deposit growth is causing significant concerns. This not only results in the bank losing a reliable and steady source of income but also creates additional challenges in managing the processing of deposits and other loan transactions, which are still being conducted at a faster pace (Gobat, 2023).

These recent developments have sparked concerns among regulators and bankers alike. Fixed deposits have long been a reliable source of income for banks, shielding them from unpredictable market fluctuations. However, with only a tiny portion of their assets being financed by core deposits, banks are under pressure to enhance their profitability, as Le and McMillan (2020) observed. Simultaneously, as the maturity of assets lengthens, the banks are exposed to a greater degree of risk. In an environment marked by rising interest rates and a deteriorating economic climate, the added strain on money, liquidity, and risk could potentially jeopardize the stability and integrity of the entire sector, as noted by the astute observations of Liang and Liu (2021).

The negative impact of the decline in deposit rates may extend beyond the banking sector. As a bank's financial risk increases, its ability or willingness to support loans may decrease (Nguyen & Le, 2022). As a result, when banks become more sensitive to credit risk and tighten the application criteria and lending process, lending may decline for some borrowers to get money, but it

is to increase their income. Given that some borrowers have few ways to invest in banks, restrictions on banks' ability to support profitable investments can have a negative impact on economic activity (Antwi & Kwakye, 2022).

Alper and Anbar (2011), states that the presence of a well-functioning banking sector can catalyze economic progress, while the occurrence of credit defaults may lead to widespread crises. In Africa, banks hold a position of prominence as financial institutions, making their overall well-being integral to the economy's overall health (Suffian, 2009). Consequently, understanding the various factors that impact the profitability of commercial banks is not only significant but also imperative in establishing economic stability (Vatavu, 2015).

The significance of banks' profitability cannot be overstated, as emphasized by Ogunbiyi (2014). Profitability is a pivotal goal for conducting a business, without which money deposit banks would cease to exist. Thus, it becomes imperative to promptly investigate the impact of banking services on the profitability of commercial banks, as highlighted by Lee and Iqbal (2018).

The purpose of this study is to determine the commercial banks' services and profitability in the lens of bank clients. Specifically, it sought to answer the following questions: What is the level of commercial banks services in terms of deposits and loans? What is the level of commercial banks profitability? Last, is there a significant relationship between commercial banks' services and profitability in the lens of bank clients?

This is anchored with the study of Genay (2000), where there is a positive relationship between the growth of loans and deposits, which seems to be strong for banks. At the same time, loan growth in banks is very sensitive to

changes in deposit rates. The high impact of the increase in loans to invest in banks affects all types of loans. Lending to smaller banks is also more sensitive to lower deposit rates. The bank-level results regarding the significant impact of loan growth to invest in small institutions are consistent with the data collection and make sense. Given that banks focus on traditional banking services of accepting deposits and loans, it is not surprising that the relationship between these services is high in small institutions.

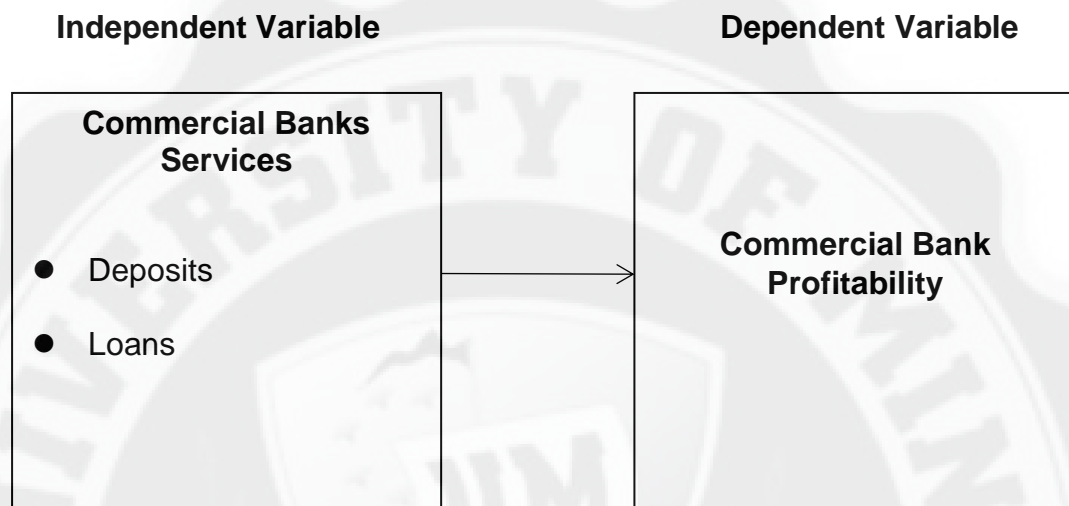
This study is supported by Supriyono and Herdhayinta (2019), where a bank's profitability is often determined internally by its services, such as total assets, loans, deposits, operating expenses, operating income, and interest rates. Deposits are inversely proportional to liquidity. Therefore, the higher the deposit, the lower the liquidity, and vice versa. Also, liquidity is inversely proportional to value. So, the LDR ratio about the bank's value should be positive. In addition, loans generally have a negative impact on bank profits because bad debts reduce bank profits. An increase in critical loans leads to a decrease in profits. A bank should maintain a high loan-to-deposit ratio because it will improve its profitability.

The study by Menicucci and Paolucci (2016) shows that high deposits provide banks that reduce risk and improve profitability. Adequate investment is necessary to ensure long-term survival in today's competitive environment. Therefore, one of the most important factors used to determine the value of the bank in this situation is the deposit. Banks with a high deposit rating are safe and demonstrate good financial stability. Also, increasing the level of deposit increases bank lending and increases operational and financial benefits.

In a study by Claessens, et al., (2018), profitability is highly responsive to bank-specific credit growth. Banks with higher loan ratios are more profitable, suggesting that credit quality is critical to bank profitability. The results showed a positive relationship between bank credit growth and bank profitability. The same can be said about the relationship with long-term interest rates. However, higher short-term interest rates reduce bank profitability. They show that the effect of short-term interest rates on profits depends on the volatility of the loan amount and the deposit amount. Changes in the level of market prices can have a quantitative effect, significantly affecting the amount of bank loans and deposits. Since the demand for loans is more sensitive to interest rates than the demand for deposits, high interest rates can erode bank profits (Kohlscheen, et al., 2018).

Ganopoulou and Giapoutzi's (2010) study examined lending policies across commercial bank sectors. While these policies generally have similarities, each bank has its unique requirements. The study also emphasized the importance of promptly recognizing credit losses and determining the impact of credit facilities. Specifically, lending policies outline the essential information and data needed for assessing mortgages, including considerations of affordability, loan duration, and collateral evaluation. Additionally, regulations for unsecured personal loans stipulate the minimum documentation required before loan approval (Kuo, 2010).

As shown in Figure 1. The independent variable is the commercial bank services, which has two indicators: deposits and loans, while the dependent variable is commercial bank profitability in the lens of bank clients.



**Figure 1. Conceptual Framework of the Study**

This section provides a comprehensive overview of the different perspectives, theories, and concepts put forth by various authors and sources relevant to the current study. The review encompasses various viewpoints, fundamental principles, and carefully selected literature related to the subject matter being investigated.

Deposits are one of the essential bank services because these are a bank's lifeblood and source of income. A bank's capital and deposit structure are seen as the internal factors or determinants of a bank's profitability (Akhtar, et al., 2017). The budget is prepared based on the bank keeping a certain percentage of the money, and one of the most critical factors determining the bank's profitability is proper investment (Bikker & Gerritsen, 2018). It shows that

the management of the bank is changing in the right way by increasing the value of the bank and relying on deposits and time deposits. The findings unveiled a remarkable correlation between various deposit categories and profitability indicators, underscoring deposits' profound influence on overall financial gains (Haddawee and Flayyih, 2020).

Deposits serve as the principal revenue stream for financial institutions, presenting an unparalleled cost-effectiveness. Therefore, the management can expect that this change will have a positive effect on the profitability of the bank as long as there is a demand for loans. Saona (2016) and Menicucci and Paolucci (2016) show that deposits increase banks' profitability. On the other hand, the absence of loan demand or inadequate bank fund management can yield detrimental consequences, as these deposits will incur higher expenses for financial institutions, primarily in relation to branch network requisites and associated fees (Akbas, 2012; Tariq, et al., 2014).

With lower costs and better risk management, safe banks can gain a competitive advantage, allowing them to expand their credit. Larger and more profitable banks are more likely to increase lending because they can attract more capital (Al-Harbi, 2019). The growth of their loans is expected to translate into higher profits because loans are banks' main source of income. The effect of profitable loans is also expected to be good because the number of loans and the bank's income are high. Loan growth is necessary to boost bank profits by increasing interest income (Menicucci & Paolucci, 2016).

However, in contrast, as the demand for credit increases, the bank's ability to manage risk decreases, leading to a rise in non-performing loans (Kashif, et al., 2016). The increase in loans in the past year increased the non-

performing loans and reduced the amount of bank loans in the short term of many years. As a result, the bank's profitability decreases, and loan growth decreases (Nguyen and Le, 2022).

Diversity is crucial in the loan approval process, particularly regarding various economic activities. Banks need to consider the duration of the loan and the maximum lending limit to accommodate the needs of different borrowers (Francis, 2013). Banks establish their lending policies based on the specific type of activity being pursued and the availability of funds for lending. Additionally, the approval period for granting a loan is determined by the bank's internal policies and the documentation provided by the customer, ensuring alignment with the bank's approved policies (Sarker, 2017).

Profitability refers to an organization's capacity to generate financial gains from its operations. In the study of Agha (2014), profitability can be defined as a company's ability to generate profits. The concept of profitability encompasses providing a comprehensive and dependable integrated information system, which enables the comparison of actual performance with anticipated outcomes based on specific indicators. Additionally, profitability is a tool for subjective evaluation, considering recognized moral and ethical values and behaviors. Furthermore, it serves as a means for impartial assessment of an organization's efficiency, the extent of its activities, and effectiveness in attaining measurable material objectives (Musah, 2017).

## **METHOD**

### **Research Respondents**

The respondents of this study were bank clients of different commercial banks. The bank clients have accounts and maintain a business relationship with the bank. These are the individuals who deposit money in banks, those who entrust their money, and those who temporarily need extra money to pay for something. These bank clients should have experience transacting with the commercial banks in Davao City – the Bank of the Philippine Islands, Banco de Oro, East West Bank, Philippine National Bank, and Rizal Commercial Banking Corporation. This was done through a survey questionnaire. The investigation was conducted using a survey questionnaire. One hundred respondents (100 respondents) who were bank clients from different commercial banks made up the sample size of the study. The researchers applied an approach known as purposive sampling technique. It is a non-probability method where the researchers rely on their judgement to select the participants who were qualified based on the criteria in the study (Frost, 2023). Using this sampling technique, the researchers distributed the questionnaires through Google Forms. The study was carried out between June 30, 2023, and July 15, 2023.

### **Research Instrument**

The research instrument used in this study was the adapted and modified survey questionnaire from the research of Al-Hawatmah and Shaban (2020). Two parts make up the questionnaire used for this investigation. The first part of the questionnaire is the commercial bank services, which has two indicators; deposits and loans, which are composed of six questions for each

indicator. The second part of the questionnaire is the commercial bank's profitability, which is composed of six questions. There was a total of 18 questions, which measured the significant relationship between commercial banks' services and profitability in the lens of bank clients. These scores were categorized and scaled using the exact limits with the descriptive equivalent.

To ensure the respondents' responses in each part, the researchers asked them to indicate whether it is high or low with the following questions using a five-point Likert scale.

### Scale of Instrument

*The five-point Likert scale for measuring commercial banks' services and profitability.*

SCALE	RANGE	DESCRIPTION	INTERPRETATION
5	4.21-5.00	Very High	This indicates that the situation experienced always happens.
4	3.41-4.20	High	This indicates that the situation experienced by the respondents happens frequently.
3	2.61-3.40	Moderate	This indicates that the situation experienced by the respondents happens now at then at the short amount of time.
2	1.81-2.60	Low	This indicates that the situation experienced by the respondents in a while, along interval of time.
1	1.00-1.80	Very Low	This indicates that the respondents never experienced this kind of situation.

## **Research Design**

This study used quantitative research methodology, specifically utilizing the descriptive correlation method, to evaluate the influence of commercial banks' services on their profitability. As presented by Creswell (2012), correlational research is a powerful, non-experimental approach that allows for examining the interdependency between two variables through rigorous statistical analysis. In the realm of market research, correlational studies serve as a valuable tool in dissecting and comprehending the intricate dynamics and interactions between various variables.

## **Research Procedure**

The researchers followed several steps to gather data from various commercial banks. Firstly, the researchers obtained permission to conduct the study, utilizing an endorsement paper provided by the Dean of the University of Mindanao. This paper served as their authorization to conduct the study. Secondly, the questionnaire was validated by the advisor and panels, confirming its accuracy and reliability. Thirdly, the researchers personally sought permission from the management of the commercial banks to distribute the questionnaires. They were then emailed to the respective bank clients and collected for data analysis. Next, the researchers distributed questionnaires to clients from different commercial banks, ensuring they had permission to proceed. Fourthly, the collected data was handed over to the assigned statistician, who computed the necessary calculations while the researchers interpreted the results. Lastly, the researchers formulated a conclusion encompassing the findings and recommendations based on the results.

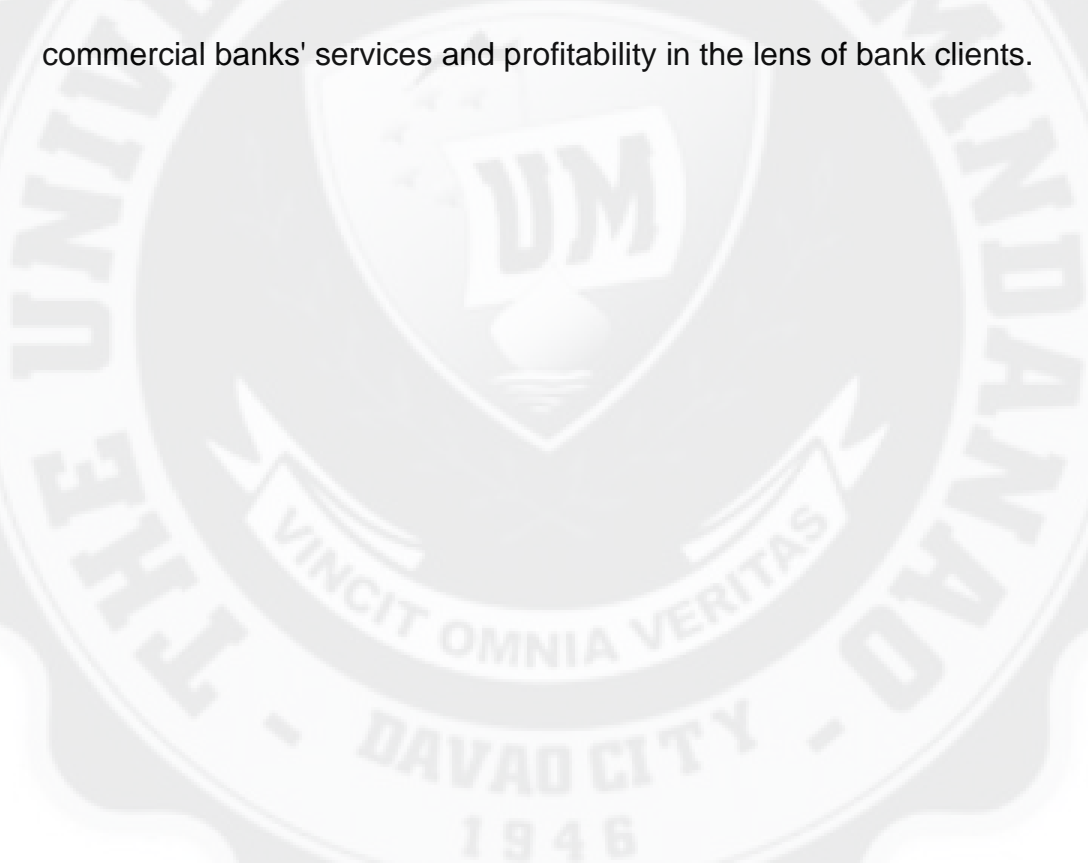
## Statistical Treatment of Data

The following statistical tools were used to evaluate and interpret the data collected in this study:

**Mean.** To determine the relationship between commercial banks' services and profitability in the lens of bank clients.

**Standard Deviation.** To measure the relationship between commercial banks' services and profitability in the lens of bank clients.

**Pearson R.** To determine the significant relationship between commercial banks' services and profitability in the lens of bank clients.



## RESULTS AND DISCUSSIONS

This section shows the results of the data gathered from the survey using tables and graphs for presentation, analysis, and interpretation. This part of the research provides answers to the research questions and utilizes other existing studies to support it further.

### Commercial Banks Services

*Table 1. The Descriptive Summary of Commercial Banks Services*

<b>Commercial Banks Services</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Description</b>
Deposits	3.97	0.55	High
Loans	4.15	0.58	High
<b>Overall</b>	<b>3.88</b>	<b>0.60</b>	<b>High</b>

Table 1 shows the commercial banks' services in terms of deposits and loans with their mean and standard deviation. The table above presents a descriptive summary of commercial banks services, specifically for deposits and loans. The overall mean of commercial banks services, which combines both deposits and loans, is 3.88 with a standard deviation of 0.60, suggesting a high overall commercial banks services in the context of the study. The highest mean value among indicators is loan, which has a mean of 4.15 with a standard deviation of 0.58, indicating as high for loan. The lowest mean value among indicators is deposits, with a mean of 3.97 with a standard deviation of 0.55, showing as high for deposit. This table provides a snapshot of the commercial banks' services statistics, highlighting the high for both deposits and loans in the sample.

In deposits, the proper loan-to-deposit ratio is a delicate balance for banks. Banks that lend too many deposits risk overexpansion, specifically during economic downturns. However, if banks lend too few deposits, they may incur opportunity costs because their deposits will remain on their balance sheets and not earn income. Banks with low loan-to-deposit ratios may have lower interest income, leading to lower profits (Murphy, 2020).

Regarding loans, Madaan, et al., (2021) states that although lending loans are very beneficial for both parties, this activity carries enormous risks. These risks represent the borrower's inability to repay the type of loan they like within the prescribed time limit jointly decided by the lender and the borrower. To do so, evaluating the customer's credit suitability is necessary before allowing a loan.

This result is congruent with the study of Menicucci and Paolucci (2016), where banks with higher deposits and loan ratios are often profitable. Banks generate revenue by collecting funds from their clients through deposits, for which they offer interest payments, and subsequently utilize these funds for various investment purposes. A bank's profit is essentially determined by the discrepancy between the interest it disburses to its depositors and the returns it generates from its investments. In addition, business and consumer loans are expected to be higher as banks get better returns on these loans.

## Commercial Bank Profitability

*Table 2. Level of Commercial Bank Profitability*

Commercial Bank Profitability	Mean	Standard Deviation	Description
Commercial Bank Profitability	4.04	0.60	High

The researchers determined the profitability of commercial banks with their mean and standard deviation.

The results show that the level of commercial bank profitability obtained a mean of 4.04, which is interpreted as a high. This means that commercial banks have high profitability.

This result can be supported by the study of Singh, Basuki, and Setiawan (2021), where improved cash inflow can indicate bank profitability. Positive cash flow means more money coming in than going out, which is essential for a bank to maintain long-term growth. Having fewer bad Debts on a company's balance sheet is good for the bank's cash flow and stock price. Holding a small amount of bad debt compared to a company's total assets brings low risk to the bank. Potential investors want to invest in companies with healthy financial records. When the ratio of bad debt decreases, the stock price of the lender experiences an upward trend. The bank becomes more appealing to prospective investors as it has fewer bad debts recorded, which suggests that its future profitability will likely improve through income generated from lending operations.

This result can be supported by the study of Akther, et al., (2023). It shows that higher deposits provide financial institutions that reduce risk and

increase profitability. Adequate investment is necessary to ensure long-term survival in today's competitive environment. Therefore, one of the most critical factors used to determine the value of the bank in this situation is the deposit. Also, increasing the level of deposits improves bank loans and increases operational and financial benefits.

### **The Significant Relationship Between Commercial Banks Services and Profitability**

This part discussed the significant relationship between commercial bank's services and profitability. Specifically, it also explains the significant relationship between deposits and loans and commercial bank profitability.

*Table 3. The Significant Association between Commercial Banks Services and Profitability*

<b>Commercial Bank Profitability</b>	<b>r value</b>	<b>p-value</b>	<b>Decision on Ho</b>
Deposits	0.7392*	0.0000	Reject Ho
Loans	0.6592*	0.0000	Reject Ho

The table demonstrates a significant association between commercial banks' services and profitability. For deposits, there is a positive correlation with an r-value of 0.7392, and the p-value is 0.0000, indicating a strong and statistically significant relationship. Consequently, the null hypothesis (Ho) is rejected for deposits. Similarly, for loans, there is a positive correlation with an r-value of 0.6592, and the p-value is also 0.0000, signifying a strong and statistically significant relationship. Hence, the null hypothesis (Ho) is rejected for loans as well.

A study by Dilrangi, et al., (2018) had similar results. This means that commercial banks, to make a profit, must be able to collect deposits at a reasonable rate to lend to customers. Therefore, this shows that banks that can provide more deposits at lower rates can offer more competitive loans to companies and thus create more profits if the factors are constant. Also, bank loans are considered the main source of income for banks and are expected to have a positive impact on bank performance. The higher the deposit in the form of a loan, the higher the interest rate and profit of the bank.

This is also similar to the study by Almaqtari, et al., (2018), which shows that the higher the number of loans and deposits, the higher the profitability of commercial banks. However, if the number exceeds a certain limit, it will cause operational risks for the bank, and it will have a negative impact on profits. Especially in terms of the release of interest rates, the reduction of loan interest rates has had a significant impact on income, causing banks to deviate from what is expected.

It is also congruent to the study of Meng, et al., (2020). It shows that when the distribution of deposits and loans is gradually decreasing, and the profit level and the financial system of commercial banks are affected to some extent. From the point of view of loans, the liberalization of interest rates, and the increase in the production of financial instruments in the capital market, the competition of commercial banks in the lending market is increasing. Regarding deposits, deposits are the primary source of income for commercial banks and provide the basis for them to perform all their other activities, leading to serious pricing and processing of deposits.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

Profitable banking is an important part of a stable financial system. Keeping the money of the community in deposit accounts and lending to others allows the bank to make a lot of profit. Banks with higher loan ratios are more profitable, suggesting that credit quality is critical to bank profitability. Changes in the level of market prices can have a quantitative effect, especially affecting the amount of bank loans and deposits. Since the demand for loans is more sensitive to interest rates than the demand for deposits, high-interest rates can hurt bank profits. Therefore, the study showed a significant relationship between commercial banks' services and profitability. This can be supported by the study of Dilrangi, et al (2018), which indicated that commercial banks, in order to make a profit, must be able to collect deposits in the right way to lend to customers. This shows that banks offering more deposits at lower rates can offer competitive loans to customers and thus create more benefits. Also, the studies of Meng, et al., Akther, et al., (2023), Dilrangi, et al., (2018) and Almaqtari, et al., (2018) shows that when the distribution of deposits and loans changes, the profit level of commercial banks is affected to some extent. Even the study of Almaqtari, et al., (2018) shows that the higher the number of loans and deposits, the higher the profitability of commercial banks.

### **Recommendation**

Based on the conclusion drawn, the following recommendations have been made for the following individuals or organizations.

Owners or Managers of Commercial Banks need to focus on the overall process, including optimizing deposits and loan management. The owners

should prioritize the different methods of the loan portfolio to reduce the risks and identify the necessary relationships to expand the type of financial services offered. In addition, investing in technology for efficiency, risk management through data analysis, and introducing new financial products can contribute to a competitive advantage. Managers must also ensure clear communication with customers, provide interest rates on deposits, and maintain a clear and transparent loan process.

Clients of Commercial Banks should focus on maintaining a good balance between deposits and loans. Opting for long-term deposits can provide banks with a stable financial base, while cautious use of loans makes lending more important. Customers can contribute to the success of the bank by knowing about interest rates, researching investment options, and participating in financial courses offered by the bank. In addition, repaying the loan on time helps reduce the risk to the bank, thereby improving its overall financial stability.

Future Researchers may add other banking services to examine the commercial bank profitability, such as investments, bank cards, insurance, foreign exchange, payments and others.

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**APPENDIX A**  
**LETTER TO ADVISER**

July 15, 2022

**Glendon C. Sobrejuanite, MBA, CMITAP**  
Research Adviser  
College of Business Administration Education  
This University

Dear Sir,


Greetings!

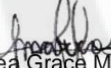
You are chosen to be our Research Adviser for our research study entitled "**Market Interest Rate and Commercial Banks Profitability in the Philippines**". We humbly request for your valuable time and knowledge to be consulted for our research endeavour.

Knowing your full expertise along this line, the researchers wish your end to enhance our work.

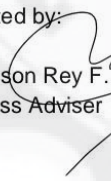
Thank you and more power.


Respectfully yours,

  
Tessa Mae L. Lihaylihay  
Researcher

  
Rhea Grace Marcos  
Researcher



  
Jamboy Panaranda  
Researcher

Noted by:  
  
07-25-22-4045-5  
Jesson Rey F. Sabado, MBA  
Class Adviser

Conform by:  
  
303-08022022-0424  
Glendon C. Sobrejuanite, MBA, CMITAP  
Research Adviser

APPENDIX B

QUESTIONNAIRE VALIDATOR'S SHEET

 The University of Mindanao	<b>RESEARCH AND PUBLICATION CENTER</b> <input checked="" type="checkbox"/> Main <input type="checkbox"/> Branch _____ <b>QUESTIONNAIRE VALIDATION SHEET</b>																																																
Title of Research: <u>INTEREST RATE AND COMMERCIAL BANKS PROFITABILITY IN THE PHILIPPINES</u> Proponents : <u>PEHA KATE LUHALUHA, KHERA GRACE KARLOS, JEMBEY PERAKANDA</u>																																																	
To the Evaluator: Please check the appropriate box for your ratings. Point Equivalent:    5 – Excellent                      2 – Fair 4 – Very Good                      1 – Poor 3 – Good																																																	
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 5%;">5</th> <th style="width: 5%;">4</th> <th style="width: 5%;">3</th> <th style="width: 5%;">2</th> <th style="width: 5%;">1</th> </tr> </thead> <tbody> <tr> <td> <b>1. CLARITY OF DIRECTION AND ITEMS</b>                      The vocabulary level, language structure and conceptual level of the questions suit the level of respondents. The test directions and items are written in clear and understandable manner.                 </td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> </tr> <tr> <td> <b>2. PRESENTATION/ORGANIZATION OF ITEMS</b>                      The items are presented and organized in logical manner.                 </td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> </tr> <tr> <td> <b>3. SUITABILITY OF ITEMS</b>                      The items appropriately represent the substance of the research. The questions are designed to determine the conditions, knowledge, perceptions and attitude that are supposed to be measured.                 </td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> </tr> <tr> <td> <b>4. ADEQUATENESS OF ITEMS PER CATEGORY</b>                      The items represent the coverage of the research adequately. The number of questions per area category is representative enough of all the questions needed for the research.                 </td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> </tr> <tr> <td> <b>5. ATTAINMENT OF PURPOSE</b>                      The instrument as a whole fulfills the objectives for which it was constructed.                 </td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> <b>6. OBJECTIVITY</b>                      Each item questions require only one specific answer or measures only one behavior and no aspect of the questionnaire suggest bias on the part of the researcher.                 </td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> </tr> <tr> <td> <b>7. SCALE AND EVALUATION RATINGS SYSTEM</b>                      The scale adapted is appropriate for the items.                 </td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		5	4	3	2	1	<b>1. CLARITY OF DIRECTION AND ITEMS</b> The vocabulary level, language structure and conceptual level of the questions suit the level of respondents. The test directions and items are written in clear and understandable manner.		/				<b>2. PRESENTATION/ORGANIZATION OF ITEMS</b> The items are presented and organized in logical manner.		/				<b>3. SUITABILITY OF ITEMS</b> The items appropriately represent the substance of the research. The questions are designed to determine the conditions, knowledge, perceptions and attitude that are supposed to be measured.		/				<b>4. ADEQUATENESS OF ITEMS PER CATEGORY</b> The items represent the coverage of the research adequately. The number of questions per area category is representative enough of all the questions needed for the research.		/				<b>5. ATTAINMENT OF PURPOSE</b> The instrument as a whole fulfills the objectives for which it was constructed.	/					<b>6. OBJECTIVITY</b> Each item questions require only one specific answer or measures only one behavior and no aspect of the questionnaire suggest bias on the part of the researcher.		/				<b>7. SCALE AND EVALUATION RATINGS SYSTEM</b> The scale adapted is appropriate for the items.		/			
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	ROSALIA T.  _____ Signature Above Printed Name																																																



**RESEARCH AND PUBLICATION CENTER**

Main  Branch \_\_\_\_\_

**QUESTIONNAIRE VALIDATION SHEET**

Title of Research : INTEREST RATE AND COMMERCIAL BANKS PROFITABILITY IN THE PHILIPPINES  
 Proponents : TELHA KARE LUHUMAY, RITA GRACE MARCOS, JEMBOY PERALANDA



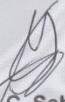

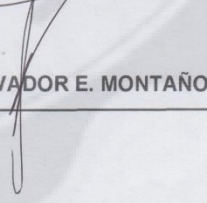
To the Evaluator: Please check the appropriate box for your ratings.

Point Equivalent: 5 - Excellent 2 - Fair  
 4 - Very Good 1 - Poor  
 3 - Good

	5	4	3	2	1
<b>1. CLARITY OF DIRECTION AND ITEMS</b> The vocabulary level, language structure and conceptual level of the questions suit the level of respondents. The test directions and items are written in clear and understandable manner.		/			
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<b>5. ATTAINMENT OF PURPOSE</b> The instrument as a whole fulfills the objectives for which it was constructed.		/			
<b>6. OBJECTIVITY</b> Each item questions require only one specific answer or measures only one behavior and no aspect of the questionnaire suggest bias on the part of the researcher.		/			
<b>7. SCALE AND EVALUATION RATINGS SYSTEM</b> The scale adapted is appropriate for the items.		/			

*Chavez*  
 Signature Above Printed Name

**APPENDIX C**  
**LETTER TO CONDUCT STUDY**

 <p><b>UM</b> The University of Mindanao</p>	<p>College of Business Administration Education 2<sup>nd</sup> Floor, SS Building Bolton Street, Davao City Telefax (082) 227-</p>
<b>PERMISSION TO CONDUCT A STUDY</b>	
June 29, 2023	
<p><b>VICENTE SALVADOR E. MONTAÑO, DBA</b> Dean of College of Business Administration Bolton Street, Davao City</p>	
Dear Sir Montaña:	
<p>We, the researchers of the study entitled: "Interest Rate and Commercial Banks in the Philippines" would like to conduct our survey as a partial fulfillment for the requirement of the subject Business Research-Fm (FM301).</p>	
<p>In line with this, we seek your permission for us to gather data via online platform using the survey questionnaire for our target respondents. The data that will be gathered shall be solely used for our research and shall not be used for any other purposes. Rest assured that all their information and answers provided will be treated with utmost respect and confidentiality.</p>	
We are looking forward to your response regarding this matter.	
Thank you and God bless.	
Respectfully,	
 Tesha Mae Lihaylihay Member	Noted by:  <b>Glenndon C. Sobrejuanite</b> Research Adviser
 Rhea Grace Marcos Member	<b>DR. CHRISTIAN PAUL MOYON</b> Research Coordinator
	Approved:  <b>VICENTE SALVADOR E. MONTAÑO</b> <hr style="width: 100%; border: 0.5px solid black;"/> Dean

## APPENDIX D

## LETTER TO STATISTICIAN



College of Business Administration Education  
2<sup>nd</sup> Floor, SS Building  
Bolton Street, Davao City  
Telefax (082) 227-5456 local 131

## LETTER TO THE STATISTICIAN

August 31, 2023

**LEOMAR M. SABROSO, MSAgE**

Faculty, College of Business Administration Education  
University of Mindanao  
Bolton Street, Davao City

Dear Sir Sabroso,


Greetings!

You are chosen to be our statistician for our research study entitled "**Interest Rate and Commercial Banks Profitability in the Philippines**". We humbly request for your valuable time and knowledge for our work. Knowing fully of your expertise along this line, the researchers wish your support and assistance for possible enhancement of our work.

Thank you and more power.

Respectfully,

Researchers:


  
Tessa Mae Lihaylihay

Member

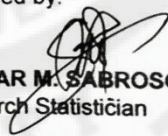
  
Rhea Grace Marcos

Member

Noted by:

  
**GLENNDON SOBREJUANITE, MBA**  
Research Adviser


Approved by:

  
**LEOMAR M. SABROSO, MSAgE**  
Research Statistician

  
**VICENTE SALVADOR E. MONTAÑO, DBA**  
Dean

## APPENDIX E

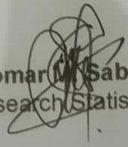
## CERTIFICATION FROM STATISTICIAN

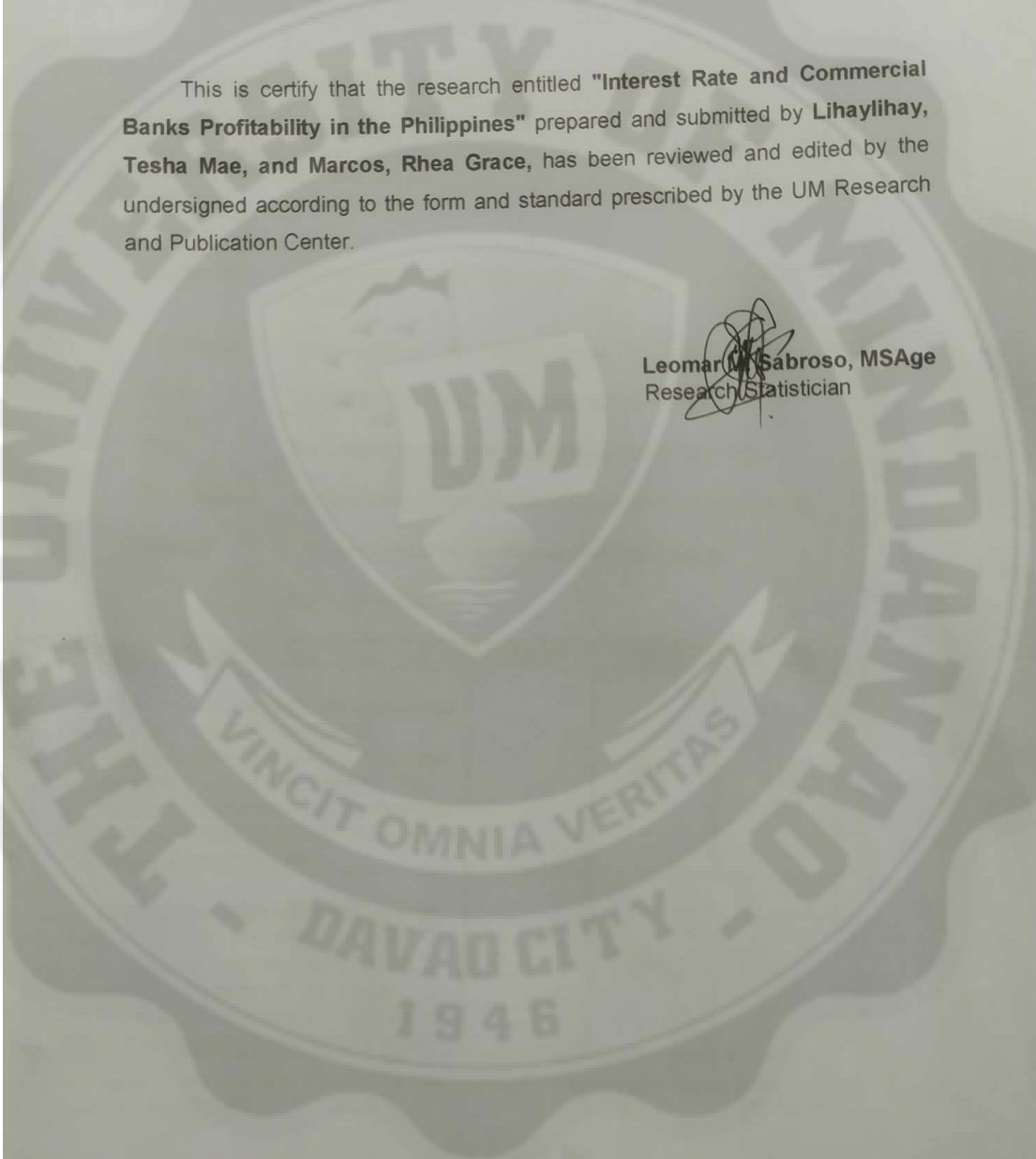
 **UM**  
The University of Mindanao

College of Business Administration Education  
2<sup>nd</sup> Floor, SS Building  
Bolton Street, Davao  
City Telefax (082) 227-

**CERTIFICATE FROM THE STATISTICIAN**

This is certify that the research entitled "**Interest Rate and Commercial Banks Profitability in the Philippines**" prepared and submitted by **Lihaylihay, Tesha Mae, and Marcos, Rhea Grace**, has been reviewed and edited by the undersigned according to the form and standard prescribed by the UM Research and Publication Center.

  
**Leomar M. Sabroso, MSAge**  
Research Statistician



## APPENDIX F

### RESULT

*Table 1. The Descriptive Summary of Commercial Banks Services*

<b>Commercial Banks Services</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Description</b>
Deposits	3.97	0.55	High
Loans	4.15	0.58	High
<b>Overall</b>	<b>3.88</b>	<b>0.60</b>	<b>High</b>

*Table 2. Level of Commercial Bank Profitability*

<b>Commercial Bank Profitability</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Description</b>
Commercial Bank Profitability	4.04	0.60	High

*Table 3. The Significant Association between Commercial Banks Services and Profitability*

<b>Commercial Bank Profitability</b>	<b>r value</b>	<b>p-value</b>	<b>Decision on Ho</b>
Deposits	0.7392*	0.0000	Reject Ho
Loans	0.6592*	0.0000	Reject Ho

## APPENDIX G

## TURN IT IN CERTIFICATE

**COMMERCIAL BANKS SERVICES AND PROFITABILITY IN THE LENS OF BANK CLIENT**

---

ORIGINALITY REPORT

---

<b>16%</b>	<b>7%</b>	<b>4%</b>	<b>12%</b>
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

---

PRIMARY SOURCES

<b>1</b>	Submitted to University of Mindanao Student Paper	<b>10%</b>
<b>2</b>	Zaid Al-hawatmah, Osama Samih Shaban. "The effect of lending policy on the profitability of commercial banks: Evidence from Jordan", Journal of Governance and Regulation, 2020 Publication	<b>1%</b>
<b>3</b>	Slagle, Roger F.. "Quantitative Easing, Bank Size, and Bank Profitability: an Explanatory Study of U.S. Commercial Banks", Capella University, 2021 Publication	<b>1%</b>
<b>4</b>	edoc.tips Internet Source	<b>1%</b>
<b>5</b>	mail.ijels.com Internet Source	<b>1%</b>
<b>6</b>	Submitted to Kampala International University Student Paper	<b>&lt;1%</b>

  
 GLENN C. SORREJANITE

Scanned with CamScanner

APPENDIX H

GRAMMARLY CERTIFICATE



Report: COMMERCIAL BANKS SERVICES AND PROFITABILITY IN THE LENS OF BANK CLIENT

# COMMERCIAL BANKS SERVICES AND PROFITABILITY IN THE LENS OF BANK CLIENT

by Glenndon Sobrejuanite

### General metrics

36,934	5,466	496	21 min 51 sec	42 min 2 sec
characters	words	sentences	reading time	speaking time

### Score



This text scores better than 95% of all texts checked by Grammarly

### Writing Issues

141	30	111
Issues left	Critical	Advanced

*Glenndon Sobrejuanite*  
1/9/24  
GLENNDON SOBREJUANITE

### Plagiarism

This text hasn't been checked for plagiarism

## APPENDIX I SURVEY QUESTIONNAIRE

### Dear Respondents:

We are the Financial Management Students from University of Mindanao conducting a research study entitled “**Commercial Banks Services and Profitability in The Lens of Bank Client**” in fulfillment of the requirements of the subject Methods of Research (CBM300).

The data gathered from this survey will serve as primary data for the endeavor. All the information will be treated without confidentiality and anonymity. We are hoping for your favorable response to this request.

Thank you very much.

### The Researchers

#### “**Commercial Banks Services and Profitability in The Lens of Bank Client**”

This is an adaptive questionnaire from "THE EFFECT OF LENDING POLICY ON THE PROFITABILITY OF COMMERCIAL BANKS: EVIDENCE FROM JORDAN". This study is considered an exploratory study and relies on the descriptive and analytical approach to describe and review the theoretical framework of the lending policy in commercial banks. In order to achieve the objectives of the study, a structured questionnaire was prepared and used to collect the related information needed. The study used the Likert Scale to answer the items measuring the study answers by its respondents.

**Direction:** Please supply the following information on the following questions by Checking (✓) the appropriate box.

- 5 – Very High
- 4 – High
- 3 – Moderate
- 2 – Low
- 1 – Very Low

<b>Deposits</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1. The amount of funds available for lending from deposits is determined according to the ratios determined by the Central Bank only.					
2. The amount of funds available for lending from deposits is determined by capital adequacy ratios.					
3. The size of the funds available for lending from deposits is determined according to the ratios determined by the board of directors.					
4. The volume of funds available for lending from deposits is determined according to the ratios determined by the bank's management					
5. When lending, the bank takes into account the maturity dates of deposits and adheres to the lending ratios, including bank's regulations.					
6. The amount of funds available for lending from deposits is determined according to the nature of the client's activity within the sector (industrial/commercial/agricultural).					

<b>Loans</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1. The bank's board of directors delegates the management of lending responsibilities to specialized committees that carry out responsibilities for implementing the lending policy					
2. Loan approval decisions are taken as per the loan amount.					
3. Loan approval decisions are made according to the type of loan.					
4. The bank determines the maximum limit for lending according to the number of funds available for lending.					
5. When making a lending decision, the bank takes into account the time period for approval of granting the loan.					
6. When making a lending decision, the bank takes into account the time period for loan implementation.					

<b>Commercial Banks Profitability</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1. The rates of return on banking investments increased.					
2. Return on assets improved.					
3. The value of commercial bank's investments increased.					
4. Equity rates increased.					
5. Improved levels of cash inflows					
6. The amount of provisions for losses decreased.					

Reference:

Al-hawatmah, Z., & Shaban, O. S. (2020). The effect of lending policy on the profitability of commercial banks: Evidence from Jordan. *Journal of Governance & Regulation*, 9(4), 47-58. <http://doi.org/10.22495/jgrv9i4ar>

### Deposits

<i>No.</i>	<i>Paragraph statement</i>	<i>Arithmetic mean</i>	<i>Standard deviation</i>
1	The amount of funds available for lending from deposits is determined according to the ratios determined by the Central Bank only.	4.020	0.626
2	The amount of funds available for lending from deposits is determined by capital adequacy ratios.	4.061	0.655
3	The size of the funds available for lending from deposits is determined according to the ratios determined by the board of directors.	4.000	0.574
4	The volume of funds available for lending from deposits is determined according to the ratios determined by the bank's management.	4.122	0.693
5	When lending, the bank takes into account the maturity dates of deposits and adheres to the lending ratios, including bank's regulations.	3.939	0.623
6	The amount of funds available for lending from deposits is determined according to the nature of the client's activity within the sector (industrial/commercial/agricultural).	4.224	0.584
<i>Total</i>		<i>4.061</i>	<i>0.432</i>

### Loans

<i>No.</i>	<i>Paragraph statement</i>	<i>Arithmetic mean</i>	<i>Standard deviation</i>
1	The bank's board of directors delegates the management of lending responsibilities to specialized committees that carry out responsibilities for implementing the lending policy.	3.980	0.592
2	Loan approval decisions are taken as per the loan amount.	4.122	0.630
3	Loan approval decisions are made according to the type of loan.	4.061	0.514
4	The bank determines the maximum limit for lending according to the number of funds available for lending.	4.224	0.547
5	When making a lending decision, the bank takes into account the time period for approval of granting the loan.	4.122	0.482
6	When making a lending decision, the bank takes into account the time period for loan implementation.	4.184	0.563
<i>Total</i>		<i>4.116</i>	<i>0.365</i>

### Profitability

<i>No.</i>	<i>Paragraph statement</i>	<i>Arithmetic mean</i>	<i>Standard deviation</i>
1	The rates of return on banking investments increased	4.061	0.589
2	Return on assets improved	3.959	0.536
3	The value of commercial banks' investments increased	4.163	0.550
4	Equity rates increased	3.898	0.711
5	Improved levels of cash inflows	4.041	0.731
6	The amount of provisions for losses decreased	3.980	0.592
<i>Total</i>		<i>4.017</i>	<i>0.451</i>

| + |

**APPENDIX J****CURRICULUM VITAE**

TESHA MAE L. LIHAYLIHAY

Purok 16, Buhisan, Tibungco, Davao City

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0977 193 0246

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**PERSONAL BACKGROUND**

Birthdate:	February 26, 1996
Citizenship:	Filipino
Civil Status:	Single
Height:	5'2
Religion:	Roman Catholic
Language:	Visayan, Tagalog, English

**EDUCATIONAL BACKGROUND**

Tertiary:	University of Mindanao Bachelor of Science in Business Administration Major in Financial Management 2019- Present
Secondary:	Francisco Bustamante National High School 2008- 2012
Primary:	Buhisan Elementary School 2003-2008

## CURRICULUM VITAE



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### PERSONAL BACKGROUND

Birthdate:	April 13, 2001
Citizenship:	Filipino
Civil Status:	Single
Height:	5'1
Religion:	Islam
Language:	Visayan, Tagalog, English

### EDUCATIONAL BACKGROUND

Tertiary:	University of Mindanao Bachelor of Science in Business Administration Major in Financial Management 2019- Present
Secondary:	UM Panabo College – Senior High 2016-2018 A. L Navarro National High School 2013-2016
Primary:	Tagurot Elementary School 2007-2012