

# Review of: "Conundrums of the Liquidity Determinants of Commercial Banks in Ethiopia"

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**Potential competing interests:** No potential competing interests to declare.

## Comments and Questions regarding this article

The abstract is adequately stated, showing the brief summary of what the article is all about

### Introduction and Methodology

The researcher's dedication to crafting a comprehensive introduction and methodology is evident, reflecting a commendable commitment to precision and coherence. However, a notable gap emerges regarding the rationale behind the selection of the 15 commercial banks examined in the study. This omission raises pertinent questions about the criteria utilized for their inclusion, particularly given the context of Ethiopia's dynamic banking landscape, which comprises around 28 private commercial banks and one state-owned commercial bank.

Understanding the basis upon which these specific 15 banks were chosen is pivotal for contextualizing the study's findings within the broader banking sector. Ethiopian commercial banks vary significantly in terms of their establishment dates, capital sizes, operational diversifications, and even banking models, with both conventional and Islamic banking institutions operating within the country. Consequently, the absence of clarity regarding the selection process detracts from the paper's overall credibility and could potentially undermine the validity of its conclusions.

To address this concern effectively, the researcher must provide a robust justification for the inclusion of the chosen banks and elucidate the methodology employed in their selection. This justification should encompass factors such as the banks' market share, geographic spread, financial stability, regulatory compliance, and any other relevant considerations that informed their inclusion in the study. Moreover, given the diverse nature of Ethiopia's banking sector, it would be prudent for the researcher to disclose any exclusion criteria applied and justify why certain banks were omitted from the analysis.

By providing a transparent and rigorous explanation of the selection process, the researcher can bolster the paper's methodological rigor and enhance its overall academic merit. Additionally, such clarity would facilitate a deeper understanding of the study's findings and enable stakeholders to assess the generalizability of the results to the broader banking landscape in Ethiopia. Therefore, it is imperative that the researcher revisits this aspect of the study and ensures that the selection rationale is adequately articulated to meet scholarly standards.

### Hypothesis Development:

The research article showcases a commendable effort in its endeavor to develop relevant variables and formulate hypotheses, with a structured categorization into three distinct categories. However, amidst this rigor, certain critical factors appear to have been overlooked within the realm of firm-specific considerations. Notably, absent are variables such as loan repayment, non-performing loans, capital structure of banks, technological capacity, deposit growth, and loan growth. These factors are pivotal in understanding the dynamics of commercial banking operations, particularly within the Ethiopian context, where diverse banking models and operational strategies are prevalent.

For instance, the assessment of loan repayment and non-performing loans is imperative for gauging the financial health and risk management practices of commercial banks. Similarly, the capital structure of banks influences their ability to absorb shocks and maintain liquidity, making it a crucial determinant of financial stability. Moreover, in an era marked by rapid technological advancements, the technological capacity of banks plays a pivotal role in enhancing operational efficiency and customer service delivery. Furthermore, deposit growth and loan growth are key indicators of a bank's market penetration and profitability potential, warranting their inclusion in the analytical framework.

In the domain of market-specific factors, a notable omission is the exclusion of the National Bank of Ethiopia (NBE) bill of purchase, a significant variable that could potentially impact the liquidity position of selected commercial banks. The NBE bill of purchase represents a substantial portion of the money supply in Ethiopia, and fluctuations in its issuance could have profound implications for commercial banks' liquidity management strategies. Therefore, its absence from the analytical framework is conspicuous and merits reconsideration.

Given these lacunae, a revision of variable selection and hypothesis development is warranted to enrich the research findings and ensure their robustness and relevance. Incorporating these omitted variables into the analytical framework would not only enhance the comprehensiveness of the study but also provide a more nuanced understanding of the factors influencing commercial bank performance in Ethiopia.

### **Literature Review and References:**

While the paper effectively reviews pertinent empirical studies, there is considerable room for improvement in terms of depth, currency, and theoretical grounding. The literature review, though comprehensive to some extent, appears somewhat outdated and necessitates revision with more recent secondary literature. Furthermore, while the paper contrasts previous studies primarily with respect to utilized variables, it lacks elucidation on the underlying theoretical framework guiding the research. This represents a significant gap in the scholarly discourse, as a robust theoretical foundation is essential for framing research questions, guiding data collection and analysis, and interpreting findings within a broader conceptual framework.

Enhancing the study's value and scholarly rigor could entail promptly developing a robust theoretical framework, informed by contemporary literature and relevant theoretical perspectives. This theoretical framework would provide a conceptual lens through which to interpret empirical findings and establish meaningful connections between variables. Moreover, a well-constructed conceptual framework, grounded in established theories and frameworks, would further enhance the

coherence and analytical depth of the study.

Additionally, updating the references to include more recent scholarly works would further bolster the paper's academic rigor and relevance. Incorporating recent empirical studies, theoretical developments, and industry reports would ensure that the study's findings are situated within the current state of knowledge and contribute meaningfully to the ongoing scholarly discourse on commercial banking performance in Ethiopia.