

ABSTRACT

The objective of this paper is to identify the factors which affect the profitability and soundness of banks in emerging African economies of Ghana, Kenya, South Africa and Nigeria for the period 1999-2013. It also aims to identify the factors which can be controlled by the banks and how their profitability can be improved.

The performance is measured by (i) profitability and (ii) soundness. Return on Assets and Net Interest Margin are used as profitability indicators while Non Performing Loans and Capital Adequacy Ratio are used as soundness indicators.

The data covers a period (1999-2013) when many notable changes in international banking regulations were introduced, such as the Basel Accords. It also covers one of the most turbulent phases in the international financial sector – the global financial crisis (2008) – that continues to have a significant impact in the real and financial sectors in many developed and developing economies. Therefore, these findings have important implications for enhancing bank's performance in African economies, in a backdrop of dynamic changes in both domestic and international financial sectors.

The findings of this paper can offer insights for other countries that have a similar banking structure and have launched major regulatory reforms in their financial sectors.