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| Journal Name: | [Asian Journal of Economics, Finance and Management](https://www.journaleconomics.org/index.php/AJEFM) |
| Manuscript Number: | **Ms\_AJEFM\_1875** |
| Title of the Manuscript: | **PRUDENTIAL REGULATIONS AND PROFITABILITY OF MICROFINANCE BANKS IN KENYA** |
| Type of the Article | **Research Manuscript** |

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| **PART 1: Comments** | | |
|  | **Reviewer’s comment**  **Artificial Intelligence (AI) generated or assisted review comments are strictly prohibited during peer review.** | **Author’s Feedback** *(Please correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)* |
| **Please write a few sentences regarding the importance of this manuscript for the scientific community. A minimum of 3-4 sentences may be required for this part.** | The profitability of Kenyan microfinance banks, a crucial industry for economic growth, and prudential laws interact critically in this book. It closes a vacuum in the literature by methodically examining the impacts of capital, liquidity, and credit laws, especially when considering emerging markets. Through the use of exacting statistical methods, the study offers a solid framework for comprehending the ways in which regulatory actions might affect financial performance, thereby educating financial institutions and policymakers. In the end, this study adds to the larger conversation about economic growth and financial stability, which makes it an invaluable tool for academics and professionals working in the fields of finance and economic development. |  |
| **Is the title of the article suitable?**  **(If not please suggest an alternative title)** | The title "Prudential Regulations and Profitability of Microfinance Banks in Kenya" is appropriate since it clearly communicates the study's primary goal, which is to investigate the connection between regulatory actions and microfinance banks' financial performance within a particular geographic area.  An other title, though, might be "Examining the Impact of Prudential Regulations on the Profitability of Microfinance Banks in Kenya: Insights and Implications," if a more descriptive one is desired. By implying an emphasis on both analysis and implications, this title adds depth and can draw in a wider readership interested in useful results. |  |
| **Is the abstract of the article comprehensive? Do you suggest the addition (or deletion) of some points in this section? Please write your suggestions here.** | "In Kenya, microfinance institutions are essential to lowering poverty and youth unemployment. Many banks are seeing a decline in profitability in spite of prudential restrictions designed to improve stability. Using panel regression approaches, this study investigates how capital, liquidity, and lending rules affect the profitability of fourteen microfinance institutions. The results show that although capital regulation has a considerable positive impact, liquidity regulation has an insignificantly positive effect and credit regulation has an inversely insignificantly positive effect. In order to reduce burdens and boost profitability, the report suggests that the central bank reevaluate liquidity requirements. Keywords: profitability, capital regulation, and prudential regulations. |  |
| **Is the manuscript scientifically, correct? Please write here.** | The majority of the manuscript is scientifically accurate, outlining specific goals and verifiable theories about how capital, credit, and liquidity regulations affect Kenyan microfinance banks' profitability. The methodology, which uses panel regression and descriptive methods along with a census of fourteen banks, is suitable for the objectives of the study. The results demonstrate that capital regulation has a favourable impact on profitability, whereas credit regulation has an insignificant negative impact and liquidity regulation has a negligible beneficial impact.  The results' credibility is increased by the reporting of statistical significance. However, a more thorough literature analysis and the addition of specific statistical metrics (such R2 values) might improve the research's robustness. Practical suggestions are made for the central bank to review regulations in light of the findings. Although the work is well-structured and cohesive overall, it would be advantageous to include a description of its limits in order to present a fair assessment of the research findings. |  |
| **Are the references sufficient and recent? If you have suggestions of additional references, please mention them in the review form.** | In order to provide context for the research, the references in the manuscript include both recent and fundamental works that are pertinent to the subject. With a few exceptions, they primarily discuss research conducted up until 2020; therefore, the text would benefit from more recent references. The following ideas can help make the reference list better:  1. Recent Microfinance Studies: Including research on microfinance legislation, profitability, and financial performance from 2021 onwards would offer up-to-date perspectives. For instance:  • Makinde, O., and Buri, M. (2022). "The role of financial technology in microfinance: A review and future research agenda." Financial Services Marketing Journal.  • Garcia, Y., and Choudhry, M. A. (2021). "Impacts of Central Bank Digital Currencies on microfinance." Journal of Institutions, Money, and International Financial Markets.  2. Sources with broader context: Drawing broader findings might be aided by citing international research or comparative evaluations of microfinance programs in various nations.  • Lee, M., and Battana, J. (2021). "Advances in microfinance research: A systematic review." Economic Surveys Journal.  3. Theory Expansion: More sources could elaborate on the theoretical frameworks used in the research, like stakeholder theory's implications.  • R. E. Freeman (2021). "Stakeholder Theory: A Global Perspective." Cambridge University Press.  In conclusion, incorporating more recent and diverse literature would enhance the manuscript's comprehensiveness and relevancy, even though the current references offer a basis. |  |
| **Is the language/English quality of the article suitable for scholarly communications?** | The article's English and language are generally appropriate for academic communication, exhibiting coherence and clarity. It keeps a formal tone and uses suitable academic vocabulary. But there are a few places that could want improvement:  1. Sentence Structure: Complex and lengthy sentences might make them difficult to read. Clarity would be improved if they were simplified.  2. Terminology Consistency: Make sure that acronyms and technical terms are defined and used consistently from the outset.  3. Grammar and Punctuation: Professionalism will be improved by carefully checking for grammatical and punctuation mistakes.  4. Transitions: By assuring logical flow, better transitions between parts can help readers follow along more easily.  In summary, while the manuscript is mostly appropriate for academic discourse, addressing these aspects will enhance its overall quality and readability for a scholarly audience. |  |
| **Optional/General** comments | The impact of prudential requirements on the profitability of microfinance firms is skilfully studied in this manuscript. To improve its quality, you can include the following optional remarks:  1. Literature Review: Adding more recent research to the review could give it a stronger perspective.  2. Methodological Clarity: Credibility will be increased by outlining the methodology, including the procedures for data collection and analysis.  3. Findings Discussion: The paper can benefit from a more thorough examination of the implications for practice and policy.  4. Limitations and Future Research: Its contribution would be strengthened if it acknowledged its limitations and recommended areas for further study.  5. Visual Aids: Adding charts and graphs could assist highlight important conclusions and make the information easier to understand.  Overall, while the manuscript has strong potential, refining these areas will strengthen its impact and readability. |  |

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| **PART 2:** | | |
|  | **Reviewer’s comment** | **Author’s comment** *(if agreed with the reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)* |
| **Are there ethical issues in this manuscript?** | *(If yes, Kindly please write down the ethical issues here in detail)* |  |

**Reviewer Details:**

**Manisha Kaushal Arora, Gitarattan International Business School, India**