

**IMPACT OF CREDIT MANAGEMENT ON NET PROFIT OF
LAXMI BANK LIMITED, PRIME COMMERCIAL BANK LIMITED
AND SIDDHARTHA BANK LIMITED**

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master of Business Studies (MBS)

By

Rupa Bhandari

Campus Roll No: 749/074

Exam Roll No: 6086/18

T.U. Regd. No: 7-3-39-1317-2017

Shanker Dev Campus

Kathmandu, Nepal

July, 2024

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Credit Management on Net Profit of Laxmi Bank Limited, Prime Commercial Bank Limited and Siddhartha Bank Limited**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

.....

Rupa Bhandari

Date:

REPORT OF RESEARCH COMMITTEE

Ms. Rupa Bhandari has defended research proposal entitled **“Impact of Credit Management on Net Profit of Laxmi Bank Limited, Prime Commercial Bank Limited and Siddhartha Bank Limited”** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Rita Maskey submit the dissertation for evaluation and viva-voce examination.

.....
Asso. Prof. Rita Maskey
Dissertation Supervisor

Dissertation Proposal Defended Date:

.....

Dissertation Submitted Date :

.....

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Research Department

Dissertation Viva-voce Date:

.....

APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled "**Impact of Credit Management on Net Profit of Laxmi Bank Limited, Prime Commercial Bank Limited and Siddhartha Bank Limited**" presented by Rupa Bhandari candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....
Asso. Prof. Rita Maskey
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

ACKNOWLEDGMENT

I would like to forward my deepest gratitude to Asso. Prof. Rita Maskey of Shanker Dev Campus who supports me with their invaluable scholarly supervision, constructive comments and suggestions that allow me to furnish this thesis report in this final format.

I would like to pay my sincere thanks to Asso. Prof. Dr. Sajeeb Kumar Shrestha, Head of Research Department and Asso. Prof. Dr. Krishna Prasad Acharya, Campus Chief of Shanker Dev Campus. Besides, I would also like to thank to other respected teachers of Shanker Dev Campus and all the staff of this campus for their help in providing me various kinds of suggestions, information and comments.

Further, my deep regard to known and unknown individual who helped to collect the data at preliminary stage of this dissertation writing.

It is the matter of my immense pleasure to express my deep sense of gratitude and heartfelt respect to my parents for their affection, inspiration and incredible support to precede my academic career.

Rupa Bhandari

TABLE OF CONTENTS

	Page No.
Title page	i
Certificate of Authorship	ii
Report of Research Committee	iii
Approval sheet	iv
Acknowledgements	v
Table of Contents	vi
List of Tables	ix
List of Figure	x
Abbreviations	xi
Abstract	xiii

CHAPTER–I INTRODUCTION

1.1 Background of the Study	1
1.2 Problem Statement	2
1.3 Objectives of the Study	4
1.4 Research Hypothesis	4
1.5 Rationale of the Study	4
1.6 Limitations of the Study	5

CHAPTER II REVIEW OF LITERATURE

2.1 Conceptual Review	7
2.1.1 Loan or Credit Concept	7
2.1.2 Loan Management Objectives	7
2.1.3 Types of Loan or Credit	8
2.1.3.1 Overdraft	8
2.1.3.2 Cash Credit	8
2.1.3.3 Direct Credit	8
2.1.3.4 Discounting of Bills	9
2.1.4 Principles of Credit or Loan Policy	10
2.1.5 Lending criteria or criteria of Creditworthiness	13
2.1.6 Steps involved in Lending	14

2.1.7 Loan Loss Provisioning Policy	15
2.3 Empirical Review	16
2.3 Research Gap	54

CHAPTER- III RESEARCH METHODOLOGY

3.1 Research Design	55
3.2 Population and Sample	56
3.3 Sources of Data	56
3.4 Instrumentation of Data	56
3.5 Analysis of Data	57
3.5.1 Financial Tools	57
3.5.2 Statistical Tools	58
3.6 Research Framework and Variable Definition	60

CHAPTER- IV RESULTS AND DISCUSSION

4.1 Financial Status of Selected Nepalese Commercial Banks	63
4.1.1 Total loans to deposit ratio	64
4.1.2 Interest income to loans & advances	65
4.1.3 Non-Performing Loans to Total Loan and Advances Ratio	66
4.1.4 Net Profit to Total Income Ratio	67
4.1.5 Interest Expenses to Total Deposit & Borrowing	68
4.1.6 Total Operating Expenses to Total Expense Ratio	69
4.1.7 Price Earning Ratio	70
4.1.8 Employees Expenses to Total Operating expenses	71
4.1.9 Net Profit to Loan and Advances	73
4.1.10 Net Profit to Total Assets	74
4.1.11 Capital Adequacy Ratio	75
4.1.12 Weighted Average Interest Rate	76
4.1.13 Base Rate	77
4.1.14 Liquidity	78
4.2 Relationship of Loans and Net Profit	79
4.3 Relationship of Loans & Advances and Non-Performing Loans	81
4.4 Discussion	84

CHAPTER –V SUMMARY AND CONCLUSION

5.1 Summary	86
5.2 Conclusion	87
5.3 Implications	88

References

LIST OF TABLES

	Page No.
Table 1 Summary of Related Studies (Journals and Articles)	34
Table 2 Summary of Previous Studies (Previous Thesis)	51
Table 3 Total loans and advances to Total deposit	64
Table 4 Interest income to loan & advances (%)	65
Table 5 Non-performing loan to total loan and advances (in %)	66
Table 6 Net Profit to Total Income Ratio (in %)	67
Table 7 Interest Expenses to Total Deposit & Borrowing (in %)	68
Table 8 Total Operating Expenses to Total Expense Ratio	69
Table 9 Price Earning Ratio	71
Table 10 Employees Expenses to Total Operating expenses	72
Table 11 Net Profit to Loan and Advances	73
Table 12 Net Profit to Total Assets	74
Table 13 Capital Adequacy Ratio	75
Table 14 Weighted Average Interest Rate Spread	76
Table 15 Base Rate	77
Table 16 Liquidity (CRR)	79
Table 17 Relationship between loan and advance and net profit in LBL: Correlation Matrix	80
Table 18 Relationship between loan and advance and net profit in SBL: Correlation Matrix	80
Table 19 Relationship between loan and advance and net profit in PCBL: Correlation Matrix	81
Table 20 Relationship between loan and non-performing loans in LBL: Correlation Matrix	82
Table 21: Relationship between loan and non-performing loans in SBL: Correlation Matrix	82
Table 22 Relationship between loan and non-performing loans in PCBL: Correlation Matrix	83

LIST OF FIGURE

	Page No.
Figure 1 Research Framework	60

ABBREVIATIONS

A.D.	:	Anno Domini
ADBL	:	Agricultural Development Bank Limited
B.S.	:	Bikram Sambat
BOK	:	Bank of Kathmandu
BWP	:	Banking With Poor
C.V.	:	Coefficient of Variation
CB	:	Commercial Bank Development
CEO	:	Chief Executive Officer
DICGC	:	Deposit Insurance and Credit Guarantee Corporation
e.g.	:	For Example
EBIT	:	Earning before Interest and Taxes
EPF	:	Employees' Provident Fund
EPS	:	Earning Per Share
etc.	:	Et cetera
Fc	:	Foreign Currency
FD	:	Fixed Deposit
FY	:	Financial Year / Fiscal Year
GDP	:	Gross Domestic Product
govt.	:	Government
i.e	:	That is
IMF	:	International Monetary Fund
IPO	:	Initial Public Offering
JVB	:	Joint Venture Bank
LBL	:	Laxmi Bank Limited
Ltd.	:	Limited
m	:	Million
MBS	:	Master's Degree of Business Studies
NEPSE	:	Nepal Stock Exchange Limited
NIDC	:	Nepal Industrial Development Corporation
NRB	:	Nepal Rastra Bank
NSBL	:	Nepal SBI Bank Limited
P	:	Page

PCB	:	Prime Commercial Bank Limited
Rs.	:	Rupees
S.D.	:	Standard Deviation
SBL	:	Sidhartha Bank Limited
SEBON	:	Securities Board of Nepal
TU	:	Tribhuvan University
viz.	:	Namely
Vol.	:	Volume

ABSTRACT

The basis of business is borrowing from individuals, firms and occasionally government i.e. receiving deposit from them. Bank is an institution, which deals with the transaction of money. They perform several financial monetary and economic activities that are essential to accelerate the rate of economic growth of the country.

At present, 20 commercial banks have been operating in Nepal. After the adaptation of liberal policy by the government in 1990 number of banks and financial institutions were massively increased. They have been rendering high quality banking services to the people. There is cut throat competition between banks and financial intuitions. This research has been undertaken to evaluate the credit management of commercial banks i.e. particularly three banks Laxmi Bank Limited, Siddhartha Bank Limited and Prime Commercial Bank Limited are under study and ten year financial statements of respective banks have been used for the study. The study has been divided into five chapters which include introduction, review of literature, research methodology, data presentation and analysis and summary, conclusion and recommendation. This study mainly based in secondary data, which include published annual report and other publication of banks. Other related information was gathered from the concerned banks, Nepal Rasta Bank, Nepal Stock Exchange, Securities Board of Nepal and other different websites. The data have been analyzed by using financial and statistical tools like ratio analysis and correlation coefficient analysis etc.

Keywords: Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), Loan and Advances (LAA), Cash Reserve Ratio (CRR), Weighted Average Interest Rate Spread (WAIRS), Net Profit

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Credit management, to make it simple, refers to fund and working capital management. However, most people have some miss concepts. They only consider credit management is a short-term process. In fact, if it relates to working capital, it may be right. However, if it relates to fund management, it can be a long-term basis. You may imagine asset valuation for credit evaluation, i.e. a credit management step, refer to fixed assets usually. Value of fixed assets will change over its life. In other words, your credit evaluation will adjust all the time. Credit Management is the process of mitigating the risk involved in granting the credit. It is a key to successfully utilize our credit by minimizing our risks and losses. Credit is regarded as the most income generating assets especially in commercial banks.

Credit Management strongly recommends analyzing and managing the credit risks. Credit risk is defined as the possibility that the borrower will fail to meet its obligations in accordance with the agreed terms and conditions credit risk is not restricted to lending activities only but includes off balance sheet and interbank explores. The goal of the credit risk management is to be maximizing a bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable parameters. For most banks, credits are the largest and most obvious sources of credit risk, however, other source of credit risk exit throughout the activities of the bank, including the banking book, and in the trading book, and both increasingly facing credit risk in various financial instruments other than land, including acceptances, inter bank transactions and guarantees and the settlements of transactions.

Credit management is one of the most important activities in any company and cannot be overlooked by any economic enterprise engaged in credit irrespective of its business nature. Sound credit management is a prerequisite for a financial institution's stability and continuing profitability, while deteriorating credit quality is the most frequent cause of poor financial performance and condition. As with any financial institution, the biggest risk in bank is lending money and not getting it back (Shukla, 2016).

Any corporate or non-profit organization's formation and functioning depend heavily on its funding source. Financial institutions such as banks provide credits and overdrafts, while ownership capital and public capital are the usual ways that profit-oriented organizations raise money. Financial resources are mobilized in large part by commercial banks, other banking institutions (OBIs), and non-bank financial entities. There are seventeen insurance firms in Nepal one each for employee provident fund, citizen investment trust, and deposit insurance as well as the Credit Guarantee Corporation. Furthermore, financial resources are raised by means of instruments like bonds, debentures, and company shares.

An important factor in a nation's economic growth is banking. The first commercial bank in Nepal is called Nepal Bank Limited (NBL). Commercial banks, which accept deposits from people, companies, and governments, are essential to financial organizations. They support government financial operations and facilitate the movement of goods and services from producers to consumers by making money accessible via lending and investment. This emphasizes how crucial the commercial banking sector is to the overall health of the economy. Banks are critical to economic growth because they provide credits to consumers and maintain trust across diverse society groups.

The Central Bank, commercial banks, and other financial institutions—collectively referred to as financial intermediaries are the three main components of developed financial systems. Lending is the foundation of the banking industry and continues to be so. A bank's primary business is lending, which includes both fund-based and non-fund-based lending. Cash credit, overdrafts, demand and term credits, bought and discounted bills, export packaging credit, and project credits are all examples of fund-based lending. Documentary credit, guarantees, and bill co-acceptance facilities are examples of non-fund-based credit.

1.2 Problem Statement

Credit management flaws are the root of most significant banking problems. It is essential that banks recognize, quantify, oversee, and manage credit risks in order to maintain sufficient capital and to be fairly reimbursed for them. These days, building a trustworthy credit standing is essential in the commercial banking industry. Organizations with high profitability and success may successfully serve society while meeting the requirements

of their consumers and organization. Building a solid credit position is essential to increasing a bank's profitability, thus it's a crucial tactic for all commercial banks. Considered the beating heart of commercial banking, credit is the most important division. Despite this, the banking industry often ignores this reality, which makes credit management a crucial concern for commercial banks in Nepal (Shukla, 2016).

In Nepal's commercial banking industry, the idea of credit management has come to light as a major area in need of further investigation. Scientific and empirical research addressing problems with credit management in these institutions is lacking. As a result, it is necessary to evaluate Nepalese commercial banks' performance in relation to their lending policies. Particularly pertinent research topics are those that address credit practices, credit efficiency, liquidity position, industrial environment, management caliber, and organizational atmosphere (Shukla, 2016).

Since 1995, violence has caused economic deterioration in Nepal, a tiny nation with a limited market (2052 B.S.). Still, thanks to continuing peace talks, things have become better. Financial institutions have been gradually growing even while other economic sectors, such as the industrial and commercial sectors, have seen significant losses. These institutions compete to lend money to industries with limited opportunities and deal with high liquidity. The Nepal Rastra Bank (NRB), which oversees banks and other financial institutions, has to revise its guidelines on credit loss provision in order to counteract the annual increase in non-performing debts. Therefore, the following are the particular research issues that have been identified about credit management in the Nepalese commercial banking sector:

- What is the credit efficiency of Nepalese commercial banks?
- What is the relationship between credit management and profitability in selected Nepalese commercial banks?
- What is the import of credit management on profitability in selected 3 Nepalese commercial banks?
- What is the status of non-performing credit in selected Nepalese commercial banks?

1.3 Objectives of the Study

The role of commercial banks is undeniably crucial in a country's development. By extending credit to essential sectors, banks contribute significantly to economic growth and progress. The general objectives of this study is to analyze the credit management practices of Laxmi Bank Ltd., Siddhartha Bank Ltd. and Prime Commercial Bank Ltd. The specific objectives are as follows:

- To analyze the credit efficiency of selected 3 commercial banks (SBL, LBL and PCBL).
- To investigate the relationship between credit management and profitability of selected 3 commercial banks (SBL, LBL and PCBL).
- To measure the impact of credit management on profitability of selected 3 commercial banks (SBL, LBL and PCBL).
- To analyze the status of the non-performing loans of selected 3 commercial banks (SBL, LBL and PCBL).

1.4 Research Hypothesis

Based on the research objectives, the null hypotheses were tested which are as follows:

H₀₁: There is no significant impact of Capital Adequacy Ratio (CAR) on Net Profit of sampled Nepalese commercial banks.

H₀₂: There is no significant impact of Non-Performing Loan (NPL) on Net Profit of sampled Nepalese commercial banks.

H₀₃: There is no significant impact of Loan and Advances (LAA) on Net Profit of sampled Nepalese commercial banks.

H₀₄: There is no significant impact of Cash Reserve Ratio (CAR) on Net Profit of sampled Nepalese commercial banks.

H₀₅: There is no significant impact of Weighted Average Interest Rate Spread (WAIRS) on Net Profit of sampled Nepalese commercial banks.

These hypotheses served as a guide and focus the study to test and generate theory.

1.5 Rationale of the Study

The Nepalese financial market, as of mid-April 2023, includes 20 commercial banks, 17 development banks, 17 finance companies, 63 microfinance institutions, 1 infrastructure development bank, and 15 other financial entities (NRB, 2023). This diverse and complex

financial ecosystem underscores the significant role that these institutions play in the country's economic development. Commercial banks, in particular, are pivotal as they hold deposits from individuals, government entities, and businesses, and provide funds through lending and investment activities. There is limited research on commercial banking, particularly on lending practices and policies, resulting in an insufficient body of literature. Lending is a fundamental function upon which the entire banking business rests. Therefore, a study focusing on commercial banks, especially their lending and investment practices, holds significant value for various stakeholders. This research plays significant role to shareholder, management bodies, outsiders, government bodies and policy makers, researcher, students, advisor etc. Effective utilization of these deposits is crucial for the profitability of banks and the broader economic growth. Thus, understanding and enhancing credit management practices is essential for the stability and progress of the financial sector. This study focuses on evaluating how banks utilize deposits in terms of loans, advances, and investments, and how these activities impact their profitability. The primary objective is to analyze the credit management practices of banks using these financial tools, uncovering insights that can inform better financial decision-making and policy development. This focus on credit management is crucial for understanding how banks can optimize their operations, thereby contributing to the stability and growth of Nepal's financial sector.

With regard to other areas of banking transactions, the research's unique focus is on highlighting and analyzing the credit management strategies of certain banks. The research aims to give a thorough analysis of credit management by using statistical methods including mean, standard deviation, coefficient of variance, coefficient of correlation, coefficient of determination, and trend analysis.

1.6 Limitations of the Study

- This research is limited to the lending aspect mainly with the loan and advances only.
- The secondary data are used to analyze for result interpretations, so the accuracy of the finding depends on the reliability of available information.
- The data published on the website of related banks will be taken.

- Among the 20 commercial banks only three commercial banks are taken as sample for the study.
- The study covers the ten years time period from 2070/71 to 2079/80.
- Only few financial and statistical tools are used for analysis.

CHAPTER II

REVIEW OF LITERATURE

The literature review is an important component since it indicates how the investigation is planned. A literature review's primary goal is to locate, examine, evaluate, and analyze previous research in the field of the study problem. This is done through a review of books, articles, journals, research reports, studies, and unpublished dissertations submitted by Master of Business Studies students, as well as research reports and studies published by various institutions. The following headings have been used to subdivide the chapters:

2.1 Conceptual Review

2.1.1 Loan or Credit Concept

Credit administration involves the creation and management of risk assets. The process of lending takes into consideration about the people and system required for the evaluation and approval of loan request, negotiation of terms, documentation, disbursement, administration of outstanding loans and workouts, knowledge of the process and awareness of its strength and weakness and important in setting objectives and goals for lending activities and for allocating available funds to various lending functions such as commercial, installment and mortgage portfolios (Johnson, 1994).

Credit and advances is an important item on the asset side of the balance sheet of a commercial bank. Bank earns interest on credit and advances, which is one of the major source of income for banks. Bank prepare credit portfolio, otherwise it will not only add bad debts but also affect profitability adversely (Varshney and Swaroop, 1994).

2.1.2 Loan Management Objectives

Loan objectives establish specific, measurable goals for the bank. The board of directors must ensure that loans are made with the following three basic objectives in mind: (Crosse, 1963)

- To grant loans on a sound and collectible basis.
- To invest the bank's funds profitably for the benefit of shareholders and the protection of depositors.
- To serve the legitimate credit needs of their communities.

2.1.3 Types of Loan or Credit

2.1.3.1 Overdraft

An instant extension of credit from a lending institution is more precisely a draft for more than the balance in the account on which the draft is drawn. A bank may honor an overdraft, depending on the importance of the customer and on prior arrangements (if any) to cover overdrafts.

2.1.3.2 Cash Credit

Cash Credit is a short-term cash loan to a company. A bank provides this type of funding, but only after the required security is given to secure the loan. Once a security for repayment has been given, the business that receives the loan can continuously draw from the bank up to a certain specified amount. This type of financing is similar to a line of credit (Chhabra, and Taneja, 1991).

2.1.3.3 Direct Credit

- **Term Credit**

Term credit is medium and long term credits which are given for purchase of assets, like land, building, machinery and equipment. The amounts of term credits are fixed primarily in relation to the total costs of the projects.

- **Working Capital Credit**

A credit is whose purpose is to finance everyday operations of a company.

- **Priority or Deprived Sector Credit**

With a view to giving freedom to commercial banks in the selection of their credit portfolio, the NRB has taken a decision to gradually phase out the priority sector-lending program.

- **Hire Purchase Financing (Installment Credit)**

Hire purchase credits are characterized by periodic repayment of Principal and interest over the maturity of credit.

- **Housing Credit (Real Estate Credit)**

Commercial banks also extend housing credit to their customers who have regular income or can earn revenue from housing project itself.

- **Project Credit**

Project credit is granted to the customers as per project viability. The borrowers have to invest certain proportion to the project from their equity and the rest will be financed as project credit.

- **Consortium Credit**

Two or more institution may consent to grant credit facility to the project of which is baptized as consortium credit. It reduces the risk of project among them. Financiers bank equal (or likely) charge on the project's assets.

- **Credit Cards and Revolving Lines of Credit**

Banks are increasingly utilizing charge cards and revolving lines of credit to make unsecured consumer credit. Revolving lines credit lowers the cost of making credit since operating and processing cost are reduced. Charge cards and credit lines tied to demand deposit accounts are the most common revolving credit agreements. It can be further divided into credit cards, automatic overdrafts lines and large credit lines.

- **Off-Balance Sheet Transaction**

In fact, bank guarantee and letter of credit refer to off balance sheet transaction of financial institution. It is also known as contingent liability. Contingent liability pinpoints the liability, which may or may not arise during the happening of certain event.

2.1.3.4 Discounting of Bills

It is the main function of commercial banks. Discounting of bill means made payment of bill, which are issued by commercial banks as well as central banks, NRB, before their expiration date or matured time. Therefore, payment should be less than the total amount because of their uncertainty (Chhabra, and Taneja, 1991).

2.1.4 Principles of Credit or Loan Policy

The income and profit of the bank depends upon its credit procedure, credit policy and investment of its fund in different securities. The greater the credits created by the bank, the higher will the profitability. A sound lending and investment policy is not only prerequisite for bank's profitability but also crucially significant for the promotion of commercial savings of a backward country like Nepal. Some necessities for sound lending and investment policies which most of the banks must consider can be explained as under:

- **Principle of Liquidity**

Liquidity means the whole money stock in the economy. In the case of Nepal, the money in the accounts of current, saving and fixed period and the money in margin account refers to liquidity. The liquid property means cash stock of the commercial banks the amount of short term, current account and short-term government and business security and the treasury bills. A bank should not forget the principle of liquidity while it is following its investment policy. The commercial banks are considered to be as financial mediators. The commercial banks have liability to the deposits and they immediately should give it in time when the depositors asked. For the purpose, the banks should keep adequate liquid funds. And also they should gain the profit by utilizing the deposits as a loan and advances. If the bank can't return the deposit at the time of demand it may lose the customers and their trust. If adequate liquid fund is kept, they can return the deposit at the will of the depositors but such bank can't run for long time. In the same way, if they invest the whole deposit loan and advances, they can't give it at the time of demand by the depositors, so the commercial bank should try to move the liquidity and profit together. It is a great challenge for the managers of the banks.

- **Principle of Profitability**

The objective of the commercial banks is to earn profit. The bank should follow the objective by focusing it on the sectors in which it can earn much profit. The bank should not keep its means and materials inactive. It should keep on investing the means and materials in appropriate and safe area. The banks can gain much profit from the safe and long-term investment. But there is less liquidity in such investment. It may loss the investment in the sector where profit is not gained. Where much risk is there, is much

profit. But sometimes it may create a situation where the bank would face the great economic loss, by loss of the investment in such a risky sector. So profit and liquidity are two opposite principles. If bank pays its attention only on profit, the liquidity becomes less, if it pays attention to the liquidity, it can't be a long term investment and the bank doesn't get enough profit. So it should maintain a balance between these two. The profit of a bank is the interest rate and the bank charge. So the bank should always try to apply an appropriate investment policy in such sectors from which it can earn.

- **Principle of Safety**

A bank should pay special attention on safety. If the invested area is not safe enough the bank may occur loss whether it is huge or small. The bank should be sensible while investing in unsafe sector for gaining much by accepting the security of low quality. To invest large loans against fewer securities by receiving commission, to invest in new places without enough care, observation and to flow the long term loan although with these various reason will make unsafe of the bank's investment. So it should invest in safe sector where the property taken as the security has the value enough towards the loss on investment. Therefore the banks should follow the principle of safety, should flow the short term loans and invest in a profitable sector. In such circumstances there will be minor possibility of loss. The secured security means the securities of the inland and foreign, company's shares, debentures and government bonds etc.

- **Principle of Diversification**

The bank should not follow the policy of investment only in one or two sectors further it should invest it in the various sectors. The bank by studying and analyzing the different sectors where there is possibility of earning more through small investment should extend its investment. Investing in many sectors helps keep it in balance. Some sectors may have huge profit whereas the others may have low profit or even loss, so by embracing the diversification policy on its investment, on the basis of gold, silver, diamond, development bond, share of company, debentures, goods, import and export bills and other appropriate securities, the bank have moved head of their investment policy. The bank always gets success in their working capacity from such investment. And the bank becomes successful in its goal achievement.

- **Principle of Marketability**

A bank should adopt the principle of marketability in investment policy. In a certain way, the bank moves its investment or flows loan against security. To invest the money, the bank should follow the policy of taking the security of high quality as far as possible. Are the goods taken as securities saleable or not in the market? Can the loan be recovered by selling the security or not? The bank should adopt the investment policy by much attention regarding the different aspects; however, it should study the market and evaluate the goods that have been taken as the security. The bank should not invest the money by taking such securities which are not saleable in the market and though they are sold but not fetch the reasonable price, and there is no value of such things.

- **Principle of National Interest**

A bank, while it applies its investment policy should give importance to the principle of national interest; however an application of such policy will not earn much profit. Any organization, institution and individual should not forget the liability towards the society. The objective of the bank to gain profit should not go against the national interest and the bank should follow the rules and regulation as well as the policy, directions, instruction given by the Nepal Rastra Bank.

- **Principle of Price Stability**

Security of the property which are taken by the bank must be durable otherwise there is the possibility of amount of bank to be sunk in future. But it can't be said that the price stability of any property will always remains the same. Yet, if the property taken as the security keeps the price stable it will be easy for the bank to recover its loan. Sometimes if the price of the securities goes high, it will be beneficial to the bank. But, there will be few possibilities that it will always go high. If there is a condition where the securities will not be sold or if it is sold and the proceeds of sale are not equal to recover the loan, the bank suffers from loss. Therefore the bank should make investment by keeping the securities that keep the price stable, should flow the investment also create such situation which keeps the bank free from the fear of losing its loan.

- **Principle of Tax Immunity**

As far as possible, a bank should make investment in such sectors which is entitled to the immunity. By increasing the investment to tax immunized sectors the bank can achieve its goal. The tax immunized areas likely treasury bills , national bond development bonds, etc are notable. Example, if it is invested in the priority declared sectors, facility can be achieved. Therefore, the bank should make investment in the areas where facility of tax immunity can be received.

2.1.5 Lending criteria or criteria of Creditworthiness

- **Character**

Those mental qualities and action of debtor which impel him to pay his debts; that sense of obligation to fulfill the payment promise; sometimes summarized as willingness to pay

For this analysis, generally the following documents are needed:

- Memorandum and Articles of Association
- Registration certification
- Tax registration certificate(Renewed)
- Resolution to borrow
- Authorization-person authorizing to deal with the bank
- Reference of other lenders with whom the applicant has dealt in the past or Bank A/C statement of the customer.

- **Capacity**

Those means and faculties which provide the funds with which payment is made; resources possessed or incoming; the “ability to pay” even well-founded credit approval may subsequently be reserved by change in the debtor’s ability to fulfill his credit promise. Changes in his employment, earning capacity or indebtedness militate against the integrity of his promise and produce an unexpected specific risk.

- **Capital**

Those possessions or equities from which payment might be expected when character and capacity become lacking; that from which payment may be taken under duress, if necessary.

Capital, as viewed in the appraisal of creditworthiness, represents a residual or cushion of equities available for the payment of debt if other means of payment fail.

- **Collateral**

Special forms of capital which are usually negotiable or readily represented by conveyance of claim or title; specific security offered for credibility of the credit promise. The banks commonly look to collateral in their transactions, taking securities, negotiable instruments, post-dated checks, and chattel and real estate mortgages as pledges.

- **Conditions**

Those circumstances external and usually beyond the control of debtors which nevertheless affect their paying behavior.

- **Country**

Those conditions of foreign and international character, reflecting cultural and political circumstances, which may further qualify creditworthiness as determined by other factors.

2.1.6 Steps involved in Lending

Before issuing of loan commercial banks follow up certain procedures for providing loans. In spite of several technical aids, such as ratio analysis of financial statements, cash flow statements available to the modern banker, the ability to make a correct loan decision very much depends on the shrewd and critical judgment, common sense, perceptive intelligence and discriminating sense of the lending banker. However the usual steps involved in lending are as follow:

- **Loan Application**

When a customer needs loan they ask for loan procedure in the bank according to the type of loan which may be a corporate loan or a retail loan. A loan application or a proposal is made if the customer finds all the process and information is reasonable. For corporate loan, it becomes necessary to consult loan officer. Loan officer can also contact to big account holder possessing business organization and ask if they are in need of loan.

2.1.7 Loan Loss Provisioning Policy

Classification of assets can provide a basis for determining an adequate level of provisions for possible loan losses. In determining an adequate reserve, credit history, collateral and all other significant factors that affect the collectability of the loan portfolio should be considered. These include the quality of credit policies and procedures, prior loss experiences, loan growth, quality and depth of management in the lending area, loan collection and recovery practices, changes in national and local economic and business conditions, and general economic trends. The asset value assessments should be performed systematically, consistently over time, and in conformity with objective criteria. They have to be supported by adequate documentation.

In many countries, in particular those with fragile economies, regulators have established mandatory levels of provisions that are related to asset classification. The mandatory level of provision is normally determined by certain statistics. In countries, where the legal framework for debt recovery is highly developed like USA, have demonstrated approximately 10% of sub-standard assets eventually deteriorate into loss. And, it is approximately 50% of doubtful and 100% of loss classification. In developing countries, where the legal frameworks and traditions for debt collection is less effective, provisions in the range of 20-25% of substandard assets. In Nepal, it is 25% for substandard assets, 50% for doubtful and 100% for loss assets (NRB, 2002).

The level of necessary loan loss provisions necessarily includes the degree of subjectivity. Management discretion, however, should occur in accordance with established policies and procedures. The following aspects have to be included in analysis of adequacy of the overall allowance for losses:

- A survey of the bank's existing provisioning policy and the methodology used to carry it out. In particular the value attributed to collateral and its legal/operational enforceability have to be considered.
- An overview of risk grading (asset classification) procedures and the review process including the time allotted for review.
- Any current factors that are likely to cause losses associated with a bank's portfolio and that differ from the historical experience of loss. These may include changes in

a bank's economic and business conditions or in its clients, external factors, or alterations of bank procedures since the last review.

- A trend analysis over a longer period of time, which serves to highlight any increases in overdue loans and the impact of such increases.
- An opinion of the adequacy of the current policy and, on the basis of the loans reviewed, extrapolation of additional provisions necessary to bring the bank's total loan-loss provisions to a level in line with International Accounting Standard (IAS).

2.3 Empirical Review

A study by Dependra Bahadur Chhetri (2000) titled "Non-Performing Assets: A need for Rationalization" attempted to define the term NPA, discuss possible sources of NPA, and discuss the implications of NPA in the financial sector in South East Asia. The researcher provided potential NPA containment strategies. "Loans and advances of financial institutions are meant to be serviced either part of principal of the interest of the amount borrowed in stipulated time as agreed by the parties at the time of Loan settlement. Since the date becomes past dues, the loan becomes non-performing asset. The book of the account with lending institution should be effectively operative by means of real transaction effected on the part of the debtor in order to remain loan performing" (Chhetri, (2000)). Each country has its own definition of non-performing assets (NPA). A loan is only considered non-performing in some developing nations that are members of the Asia Pacific Economic Cooperation (APEC) conference if it has been past due for at least six months. In India, it's been three months as well. As a result, loans that fail are divided into many categories, each of which has a unique impact on how a financial institution manages its assets. The report also mentioned that NPAs are divided into three categories—Substandard, Doubtful, and Loss—based on the timing of loan default in accordance with international practice. "Thus the degree of NPA assets depends solely on the length of time the asset has been in the form of none obliged by the loanee. The more time it has elapsed the worse condition of asset is being perceived and such assets are treated accordingly" . According to researchers, a few of the factors contributing to the accumulation of non-performing assets (NPAs) include the failure of the business for which the loan was used, a government-sponsored credit program that is subpar and credit appraisal system-defective, a slowdown or recession, and the diversion of funds. He said that non-performing assets have significant consequences for financial institutions. He went on to say that a credit institution's liability extends beyond the amount designated as

non-performing assets (NPAs) and is contingent on the quantity and caliber of NPAs. In his opinion, the growing number of non-performing assets (NPAs) fosters a negative mindset, particularly in the banking industry. He stated that NPAs can be decreased by reviving the financial institution's operations, such as waiving interest, rescheduling the loan, writing it off, hiring a private recovery agent, enlisting the aid of tribunals and the law of land, etc. In the end, he came to the conclusion that financial institutions are struggling due to the rising number of non-performing assets in developing nations. "Such assets debar income flow of the financial institution while claiming additional resources in the form of provisioning thereby hindering gainful investment. Rising level of NPAs cannot be taken as stimulus but the vigilance demanded to solve the problem like this, eventually will generate vigor to gear up the banking and financial activities in more active way contributing to energizing growth" (Chhetri, 2000).

The purpose of the study on the factors influencing deposits in Indonesia was to use a well-known econometrics cointegration method to determine the factors affecting deposits in Indonesia. It makes use of quarterly time series covering the years 1993–2003. The number of branch offices of Islamic banks, GDP, profit sharing rate, and interest rate are the four factors that are believed to have an impact on the amount of deposits. According to the cointegration test, the GDP and interest rate have no long-term effects on the amount of deposits in Indonesia; however, the number of branch offices of Islamic banks and the profit-sharing rate do. The research found that the number of branch offices of Islamic commercial banks and the profit sharing rate were the main determinants of the amount of deposits in Indonesia, rather than income or interest rates. This result confirmed the theory that depositors are drawn to Indonesian Islamic banks not only because of religious concerns but also because of the desire to maximize welfare. More branch offices of Islamic commercial banks should be constructed in order to boost the amount of deposits in Indonesia. To draw in more depositors, Indonesian Islamic commercial banks have to provide an ideal profit-sharing percentage (Syamsulhakim and Rachmawati, 2004).

Using cointegration methods, the research on deposit determinants in Malaysia examines the structural factors that influence the amount of deposits held by commercial banks in the country. The factors in this research were divided into two categories: financial and economic variables. Interest rates on savings accounts (RSCV), fixed deposit accounts

(ARFDCV), and Islamic investment accounts' (ARIIS) and savings accounts' (RSIS) profit rates are examples of financial variables. On the other hand, economic variables include GDP, the money supply (M3), the consumer price index (CPI), the based lending rate (BLR), and the composite index of the Malaysian Bourse (KLCI). For the following models, secondary data were utilized in this study:

$$CR = f(\text{ARIIS}, \text{ARFDCV}, \text{BLR}, \text{KLCI}, \text{CPI}, \text{M3}, \text{GDP})$$

$$SA = f(\text{RSIS}, \text{RSCV}, \text{BLR}, \text{KLCI}, \text{CPI}, \text{M3}, \text{GDP})$$

$$FD = f(\text{ARIIS}, \text{ARFDCV}, \text{BLR}, \text{KLCI}, \text{CPI}, \text{M3}, \text{GDP})$$

The findings imply that factors that significantly affect deposits include the Gross Domestic Product, Base Lending, Kuala Lumpur Composite Index, Consumer Price Index, Islamic bank profit margins, and interest rates on deposits. [Azmi and Haron, 2006].

The demand for commercial bank deposits in Lebanon, a major regional financial hub, was investigated in the IMF study on the factors influencing commercial bank deposits in Lebanon. Since domestic commercial banks in Lebanon primarily rely on deposit funding to fund their high fiscal deficits, deposit growth is an important metric to evaluate the state of government financing. The study discovered that both local and foreign factors contribute to the explanation of deposit demand after estimating a number of vector error correction models to account for cointegration in the non-stationery time series. At the macro level, the study discovered that variables that proxy the availability of funds from the Gulf are as important in explaining deposit demand as are external factors like advanced economy economic and financial conditions and prices and the interest differential between the Lebanese pound and the US dollar. Variance decomposition analyses and impulse response functions highlight how important the external variables are in relation to each other. The study uses quarterly data from 1993 to 2008 to empirically estimate a number of deposit demand functions in an effort to more thoroughly assess the factors influencing deposit demand. The foundation is a specification that concentrates on domestic real economic activity components, prices, and interest rates, much like a normal money demand function. Because the coincident indicator (CI) of the Banque du Liban has a strong correlation with GDP and is available as a sufficiently lengthy quarterly time series, the article uses it as a stand-in for economic activity. Given the availability of a sufficiently long time series, the study selects the Consumer Price Index (CPI) of the Consultation and Research Institute for pricing. The

study selects the interest rate difference between the Lebanese pound deposit rate and the U.S. dollar LIBOR as the interest rate variable since Lebanon is a small open economy with a completely open capital account and a stable exchange rate to the U.S. dollar since 1999. The study discovered that bank-specific factors also have a major impact on the demand for deposits at the micro level. These variables include loan exposure, interest margins, liquidity buffers (calculated by the ratio of liquid assets to deposits), and the perceived riskiness of individual banks (proxied by the z-score). (Hesse and Finger, 2009).

Comparably, an extensive case study of Thailand from 1960 to 2004 was used to analyze the savings in that country. The findings indicate that terms of trade, inflation, and economic growth all significantly boost the rates of savings among households and private individuals. On the other hand, the prevalence of bank loans tends to lower rates of saving among households and individuals. Additionally, while not in a proportional way, family and private saving seems to be displaced by public saving. This illustrates the potential contribution of fiscal policy to raising the level of national savings to the GDP. In addition to these factors, business saving is a significant factor in determining household saving. (2009, Jongwanich).

Yousaf et al. (2009) investigated the connection between monetary policy factors in Malaysia and Bahrain and deposits made by Islamic banks. The empirical data suggested a cointegration of the factors governing monetary policy and deposits in Islamic banks. The research also showed that some aspects of monetary policy in Bahrain had a detrimental impact on deposits made by Islamic banks. When monetary policy variables are compared between Islamic banks in Bahrain and Malaysia, it is discovered that the deposits of the latter are more susceptible to interest rate fluctuations and macroeconomic shocks. There isn't a relationship between monetary policy variables for Malaysia and Bahrain and deposits made by Islamic banks in the short term.

The primary drivers of commercial bank deposits in Greece since the nation's entry into the euro area in January 2001 were examined in the empirical study concerning the determinants of deposits in the Greek banking system. The empirical methodology uses a vector error correction model (VECM) and cointegration techniques to study the factors that influence private sector deposits to domestic commercial banks. The study presents a

strong positive correlation between bank deposits and bank credit to the domestic private sector prior to and following the outbreak of the sovereign debt crisis, among other noteworthy empirical findings. Additionally, there is a significant positive correlation between the amount of bank deposits and the GDP (Monokrousos and Thomakos, 2011).

Higher GDP levels are associated with higher bank deposits and national economic growth, according to Dhungana (2011). In a similar vein, a high level of commercial bank deposits supports the country's economic expansion and nominal GDP. According to Shrestha's (2008) analysis of the long-term factors and short-term dynamics influencing private savings behavior in Nepal, real interest rates have a significant and positive impact on private savings in that country.

Both primary and secondary data were used in the Ethiopian study on the factors influencing deposits. The primary data was gathered through questionnaires and interviews. The values of the dependent and independent variables served as the study's secondary data. The dependent variable is regressed against three variables: bank branches, inflation rate, and deposit rate. Three independent variables and the dependent variable are included in the construction of the multiple regression model. i.e.

$$\text{LNTD}_{it} = a + B1\text{DR}_{it} + B2\text{INFRATE}_{it} + B3\text{LNBR}_{it} + B4\text{D2002} + B5\text{D2011} + \text{eit}$$

Where,

LNTD_{it} = Total deposit of commercial banks

DR_{it} = Deposit rate (interest rate)

INFRATE_{it} = Inflation rate

LNBR_{it} = Branches of commercial banks

D2002 and D2011 are dummy variables that are included in the model to ensure that the residuals have a normal distribution. Various diagnostic tests are conducted to determine the validity of the model. If the model is found to be valid, regression analysis and hypothesis testing are carried out. The idea led to the discovery that each of the three factors had an impact on the overall deposit. While the deposit rate and inflation rate had a positive but minor impact on the total deposit, branch growth had a favorable and substantial effect (Gemedu, 2012).

In 2012, Maharjan conducted research on the fund management and comparative profitability of Rastriya Banijya Bank Ltd. and Nepal Bank Ltd. The research aims to

assess Nepal Bank Ltd.'s profitability and operational efficiency vis-à-vis Rastriya 16 Baniya bank, examine the banks' profitability growth pattern during the study period, and provide investors, creditors, and stakeholders with relevant information. Data from five fiscal years are included in the research (2007-2012). The main conclusions reached by the researchers were that, on average, NBL had a higher return on capital employed ratio than RBBL. The concerning operational efficiency ratios of both banks pointed to subpar management and performance. For the anticipated term, the future trend value (net profit) of NBL was declining, whereas the trend value (net profit) of RBB was rising and outperforming NBL.

An Empirical Approach to Deposit Mobilization of Commercial Banks in Tamil Nadu was the title of a study conducted by Venkateshan (2012). The investigator endeavored to examine the patterns and expansion in scheduled commercial banks' deposit mobilization in Tamil Nadu between 1999-2000 and 2008-2009. Using simple regression analysis, the Compound Growth Rate (CGR) and Linear Growth Rate (LGR) were determined. According to the study, there has been a notable increase in the overall mobilization of deposits of all kinds in Tamil Nadu's scheduled commercial banks.

Ghimire (2013) attempted to emphasize the implications of altering or changing NRB guidelines pertaining to loan categorization and loan loss provisioning in his paper titled "Credit Sector Reform and NRB." While the reasons for financial difficulties or crises in several Nepali banks vary, the majority of them share an augmented amount of non-performing assets (NPAs). The NRB, the sector's national bank, has adjusted a number of previous guidelines and released several new circulars in an effort to address the issue of losses or losses of a similar kind that the industry is now suffering. According to his assessment, the majority of the nation's commercial banks' loans now fall into poor, questionable, or outright loss categories; as a result, loan loss provisioning is far greater today than it was under the prior structure. The new provisioning and categorization rules are quite beneficial as they support the financial stability of banks. He continued by saying that we also needed to keep in mind that the previous system was still in place from 1991 to 2001, which was perhaps the most unstable decade for the nation's corporate sector. According to what he has said, loan loss provisioning was 5.2% of total credit on April 12, 001, but as of April 13, 2003, it had increased to 18.39 percent. When examining only private banks, the percentage is 2.12% in April 2001 compared to 6.3%

on April 13, 2003. While the overall credit increase is just Rs 7,976.70, the total LLP rise is Rs 11,328.11 million. In order to guarantee that banks maintain their liquidity even during economic downturns, he has also said that stricter provisioning rules for non-performing loans (NPLs) are necessary. In the conclusions, he noted that the NRB has taken management and reform of financial institution credit more seriously in recent years, and that the agency has implemented reforms targeted not only at problem banks but also at bolstering banking supervision to lower the probability of future crises. "With the credit sector reform, all of the NRB's prudential guidelines were updated after April 2001. There may be challenges in adjusting to these changes, thus in order to achieve a better and more harmonized reform, the NRB should keep encouraging, taking initiative, and soliciting bankers' input whenever regulations or policies change in the future (Ghimire, 2013).

Rouniyar (2013) conducted research on the profitability and liquidity of four listed commercial banks, citing NABIL, SCBNL, EBL, and SBI as examples. The study's goals are to determine the link between a few chosen dependent and independent factors and the profitability and liquidity of commercial banks, as well as to appraise the profitability and liquidity condition of these institutions. The research's findings indicate that, out of the four sample banks, SBI had the lowest return on equity and SCBNL had the best return on equity. The study contains data from fiscal years 2001/02 to 2010/11. Compared to other sample banks, SBI is riskier. Similarly, compared to other sample banks, SBI's return on capital fund or employed to risked assets was more erratic. Compared to other sample banks, SBI has not managed its profitability to maintain capital adequacy. NABIL had a lower CV than the others and was more uniform. The bank's net profit to total deposit ratio was satisfactory, indicating effective profit-making management. SCBNL had the highest net profit to total loan and advance ratio.

Real interest rates, GDP growth rates, population growth rates, and inflation all have a major influence on bank deposits, claims Khaniya (2014). While lagged bank size is inversely correlated with bank deposit, bank-specific factors like lagged deposit and bank size are favorably correlated with deposit. Lagged GDP growth rate, inflation rate, and lagged inflation rate are macroeconomic indicators that have a major effect on deposits in Nepalese commercial banks.

Shettar (2014) conducted a case study on Union Bank of India's deposit mobilization and socioeconomic impact. A meager effort was made to examine the socio-economic effects of bank deposits in the case study. An analysis of the socioeconomic effects of deposit mobilization was attempted in this paper. For the purposes of the research, three distinct deposit types—term, current, and savings—were taken into consideration. The study's necessary data was gathered from Union Bank of India Annual Reports, which span 13 years, from 1999–2000 to 2011–2012. Thus gathered data have been appropriately categorized and examined using basic statistical characteristics such as averages, indices, etc., in addition to the accounting approach, i.e. Ratio evaluation. The data indicates that the mobilization of all types of deposits at Union Bank of India has increased significantly. Throughout the era, there was also a growing tendency in the term deposit's growth. This demonstrates that Union Bank of India has prioritized term deposits above current and savings accounts.

A research on the credit management and liquidity policies of Nepalese commercial banks was overseen by Shrestha (2014). The study's objectives were to analyze the trend of liquid assets maintained by commercial banks, analyze the credits and advances provided by NIBL and NCC, and determine the strengths and weaknesses in NIBL and NCC's credit position. The researcher used two sample banks, namely Nepal Investment Bank Ltd. and Nepal Credit and Commerce Bank Ltd. The study includes data from five different fiscal years between 2009 and 2014. The study's conclusion was that NIBL was in a stronger position than NCC based on an analysis of the trend of liquid assets kept by banks. Additionally, there is a strong positive correlation between total credit and total deposit. This suggests that as total credit extended by commercial banks has increased, so too has the total deposit, bolstering the banks' credit and liquidity positions.

Using data from 2006 to 2011, Valahzaghard and Kashfi (2014) examined the effects of seven variables: growth in the country's GDP, financial deepening, inflation rate, dependency burden, number of bank branches, and inflation rates applied to bank deposits. Using individual regression analysis, it was possible to find a significant and positive correlation between the number of branches and bank deposits as well as the growth domestic product, financial deepening, inflation rate, and other factors. Furthermore, the study verified a significant and negative correlation between two variables of dependency burden and interest rates charged to bank customers and bank

deposits. The study did find, however, that there is no meaningful connection between bank deposits and interest rates paid to customers.

Mashamba et al.(2014) examined the connection between Zimbabwe's bank deposit interest rates and deposit mobilization during the years 2000–2006. An Ordinary Least Squares (OLS) model is used in the study's development to illustrate the relationship between the response and the explanatory variables. During the research period, the study discovered a positive correlation between deposit rates and bank deposits, and all other explanatory factors were statistically significant. The study also showed that banks should open a large number of branches in order to reach the unbanked markets. They should also offer low-cost accounts and raise the interest rate on deposits to draw in more deposits.

The factors influencing bank deposits in Nepalese commercial banks were examined by Khaniya (2014). 32 commercial banks' worth of secondary data covering the years 2002–2012 are included in the analysis. The outcome demonstrated that macroeconomic and bank-specific factors had a considerable influence on bank deposits in Nepalese commercial banks. However, elements unique to banks are more important than macroeconomic factors. In a similar vein, dependent variables are greatly impacted by bank-specific factors such as lagged deposit, bank size, and lagged banks size. The macroeconomic factors that have the biggest and most detrimental effects on Nepalese commercial banks' deposits are the inflation rate, the delayed GDP growth rate, and the inflation rate.

The impact of a few chosen macroeconomic and financial level factors on bank deposits in Ghana was examined by Larbi-Siaw and Lawer (2015). It especially looked at the dynamic relationship between the amount of bank deposits and the expansion of the money supply, inflation, monetary policy rate, and stock prices. The Bank of Ghana's Monetary Time Series Database provided quarterly data for the years 2000–2013, which was the study's dataset. The study's conclusions showed that both inflation and the expansion of Ghana's bank deposit money supply had a major negative short-term effect.

A study named Credit Risk Management of Commercial Banks was carried out by Han (2015). According to the study, credit risk has always been the primary risk facing the

banking sector. It is also the primary goal and focus of regulatory agencies, financial institutions, and the financial industry for prevention and management. As the global financial market continues to grow, domestic commercial banks will be increasingly exposed to both home and foreign influences, hence increasing their exposure to both internal and external risk. Thus, there is theoretical and practical benefit to study on commercial banks' credit risk prevention. This study examines the origins of credit risk in Chinese commercial banks, evaluates the effectiveness of Chinese commercial banks' credit management practices and their shortcomings, and suggests some corrective actions to reduce credit risk in Chinese commercial banks in light of the current circumstances.

An essay on deposit mobilization of commercial banks: A comparative study of BOB and Axis Bank in Bhubaneswar City was examined by Maharana, Choudhury, and Panigrahi (2015). The primary aim of the research was to examine the techniques and patterns used by commercial banks in India to mobilize deposits. The research draws on primary and secondary data collected between 2010–11 and 2014–15. Secondary data is widely used to analyze and comprehend differences in deposit mobilization at the sector and state levels. The time range that is best for each study may fluctuate depending on the deposit mobilization topic. The author came to the conclusion that although current deposits were on the rise and growing, the rate of increase in deposits year over year was not constant. Between 2009–10 and 2012–13, deposits in Bhubaneswar's scheduled commercial banks decreased significantly. Bank of Baroda mobilized more demand and term deposits than Axis Bank throughout the research period due to the notable rise in current and term deposits during that time.

Pokharel (2015) conducted research on Nepal's commercial banks' deposit mobilization using NABIL and HBL as examples. The study's goals were to examine the commercial banks' trends in liquid management, assess the NABIL and HBL's cash reserve ratio, and examine the total amount of loans, advances, and investments that the NABIL and HBL provided over the course of a five-year study period, from the fiscal years 2010 to 2015. The study's conclusions showed that HBL had a great ability to fulfill its short-term commitments, whereas NABIL had an extremely strong liquidity position. Additionally, HBL has contributed a larger share of the deposit to the overall investment than other

parties. Additionally, all banks' total deposits, investments, loans, and advances showed an upward trend.

Pradhan and Paneru (2016) looked at the macroeconomic factors that influence bank deposits in commercial banks in Nepal. The analysis took macroeconomic and bank-specific variables into account. Based on 108 observations from 2008 to 2013, a pooled cross-sectional examination of secondary data from 18 commercial banks registered in NEPSE served as its foundation. According to the study's findings, the number of branches, trend, and lagged log saving deposit are all significant factors influencing deposits in the banking industry in Nepal. This suggests that these explanatory factors have the most effect and impact on commercial banks' bank deposits, and that any changes to them will result in the greatest variation in bank deposits.

Pradhan and Paneru (2016) came to the conclusion that the number of branches, trend, lagged log saving deposit, and lagged log fixed deposit are significant factors for deposits in the banking industry of Nepal. This suggests that the commercial bank deposit is positively impacted by these explanatory factors, and that any changes to them will result in the largest change in bank deposit.

With reference to Nepal Investment Bank Ltd. and Nepal Credit and Commerce Bank Ltd., Adhikari (2016) oversaw a study on the liquidity and credit management practices of Nepal's commercial banks. The study's goals were to examine the commercial bank's trend of liquid assets, examine the credits and advances given by the NIBL and NCC, and identify the advantages and disadvantages of the NIC and NCC's credit position. The study's data include five fiscal years, from 2011 to 2016. The study's main conclusion was that there is an extremely substantial positive link between total credit and total deposit. Based on an analysis of bank-maintained liquid asset trends, NIBL is in a stronger position than NCC. The author goes on to say that there is a strong positive association between net profit and total credit.

Many sectors of the economy are already suffering from the recession in the global economy and the nation's worsening state of law and order. Banks begin to sneeze whenever any sector of the economy becomes sick. According to this viewpoint, the banking sector is not strong overall. Portfolio management may be restricted to tiny

savings income for investors with lower incomes (NRB Report, 2022; Monetary Policy NRB, 2023). However, portfolio management refers to the process of investing money for investors with excess income in a variety of mutual fund schemes, such as shares, debentures, and deposits. For this reason, portfolio management is crucial for both individual and institutional investors. Big investors want to choose the optimal combination of investment products (Shrestha, 2017).

In Kadariya's 2017 study, the researcher examined the deposit mobilization of commercial banking in Nepal using two bank samples: Nabil Bank Limited and Nepal Bank Limited. The study's overarching goals were to investigate the target and actual loan investments and collections of NABIL Bank Limited and Nepal Bank Limited's growing banking, as well as to assess the sample banks' financial standing. The research methodology in the study essentially indicates the research design source of data, data collection technique, data collection method and tools and technique etc. were undertaken for descriptive cum analytical research design was adopted. The study period has covered the data of five years (2011/2012-2015/2016). The study's main conclusion was that NABIL had more profitability consistency and homogeneity. NBL's spread rate is somewhat more than NABIL's. Both banks' loans and advances are trending upward. Both banks' net earnings are trending upward. Nonetheless, NABIL's profit growth rate is greater than NBL's, meaning that NABIL will likely outperform NBL in the long run.

Impact of Credit Risk Management on Financial Performance of Banks: A Study on Major State-Owned Commercial Banks in Bangladesh on The Cost and Management was published in 2018 by Noor, Das, and Banik. According to the report, banks are essential to economic growth. It takes an efficient banking system to carry out this function; in the absence of one, the economy finds it challenging to mobilize the actual resources required for stability and development. Two fundamental financing issues are critical to economic development: first, how to best provide external funds to the business sectors, and second, how well financiers oversee the performance and behavior of these corporate borrowers within the framework of an efficient corporate governance system. These two activities are together referred to as credit management and are performed by banks. The most common kind of POCL (Percentage of Classified Loan) is inadequate credit management. The profitability and productivity of the banks serve as indicators of their financial success. Bank profitability may be measured using ratio analyses such as ROI, ROA, and

ROE. The purpose of this research is to assess the cointegration of the variables and quantify the effect of POCL on ROI, ROE, and ROA. It has been discovered that cointegration occurs between the studied variables. Regression study has also shown a considerable detrimental influence of POCL on ROI. Short-term effects of POCL on ROA and ROE are negligible. However, POCL has a major long-term effect on ROE and ROA.

Impact of Efficient Credit Management on Profitability of Commercial Banks in Sierra Leone is the title of a research study published in the Open Journal of Business and Management by Kaitibi, Ganawah, Yokie, Jalloh, and Koroma (2018). This study's primary goal was to evaluate the effect of effective credit management on Sierra Leone's commercial banks' profitability. The Rokel Commercial Bank was chosen as a case study for this reason. The primary sources of secondary data were the bank's annual reports and its five-year financial statements covering the years 2010 to 2014. Using ratio analysis and charts, the data was analyzed both statistically and subjectively. The effectiveness of loan management has a major impact on the profitability of commercial banks in Sierra Leone, according to the findings. According to the study's conclusions, Sierra Leonean banks must implement sound loan policies if they want to increase profitability. In order to get definitive information about the bank's financial performance, it is important to integrate several financial measures into a relevant statistical model as an addition to the study of financial statements using individual ratios alone.

The factors influencing bank lending in Nigeria were examined by Oyebowale, Adeola (2019). Using an empirical research design, the study examined the effects of increasing the loan-to-deposit ratio, inflation, wide money, and bank capital on the rise in commercial bank lending in Nigeria.

A study titled Credit Risk Management of Commercial Banks in Nepal was published in the Journal of Business and Social Sciences Research by Pradhan and Shah in 2019. The study's primary emphasis is on the methods used by commercial banks to evaluate credit risk based on borrower, asset, and internal efficiency assessments. The study's concept is predicated on an examination of the connections between loan repayment, credit risk mitigation strategies, and behaviors. The study used survey-based primary data and conducted a correlation analysis on them using a descriptive research methodology. It

found that although borrower hurdles have no discernible association with loan payback, credit risk reduction strategies and credit risk management techniques had a favorable relationship with loan repayment. By setting a risk tolerance level and managing credit risks in relation to the current market competition, the study's findings can help commercial bank managers analyze their credit risk management system, policies, and practices and establish a profitable and long-lasting model for credit risk assessment.

Investors—banks, financial institutions, people, the private sector, or the government—should not accept the proposal and make a choice without exercising sufficient judgment since, on occasion, they deviate from accepted practices, associated research, rules, and procedures. According to Chand (2010), a project evaluation can only be considered highly feasible if it has been approached with deliberate study and investment choices to ensure both macro and micro level viability. By mid-June 2020, 67.3 percent of the population is expected to have at least one unique account, based on a medium variation population prediction of 30.0 million. This increase in bank account availability is the result of various factors, including bank account opening campaigns, the requirement to have a bank account in order to receive social security benefits, the growth of BFI branches, the expansion of the stock market, and rising participation rates. This research was carried out by NRB to investigate the characteristics of deposit accounts in A, B, and C class BFIs. The analysis is based on information from 32.1 million deposit accounts, of which, as of mid-June 2020, 83.3 percent were held by 27 commercial banks, 14.7 percent by 23 development banks, and 2.0 percent by 22 financing businesses. As of mid-July 2019, the projected percentage of the population having at least one account is 67.3 percent, up from an estimate of 60.9 percent. There are 18.98 branches per 100,000 people. In contrast to rural and mountainous regions, BFI branch densities are higher in urban areas (NRB Financial Access in Nepal, August 2021).

Credit Risk Management Practices in Indian Banking Industry: an Empirical Study was published in the International Journal of Economics and Financial Issues by Brahmaiah (2021). This paper's main goal is to investigate the credit risk management strategies and procedures that Indian commercial banks used during 2011–2017 and 2020–2021. According to the report, risk identification, assessment, analysis, evaluation, monitoring, and control are all part of the credit risk management process and procedures. The research concludes that private sector banks (PVBs) outperform public sector banks

(PSBs) in terms of credit risk management methods. While PVBs had superior asset quality and profitability ratios over PSBs throughout the research period, PSBs had more non-performing assets (NPAs) than PVBs. According to the study, the majority of Indian banks created the risk management framework, which has been centered on managing credit risk, maintaining capital adequacy, enhancing asset quality, and increasing earnings over the last five years, from March 31, 2017, to March 31, 2021. In every area of comparison in the research, the PVBs fared better than the PSBs. According to the survey, exposure limitations, prudential restrictions, loan review procedures, loan review mechanisms, internal risk assessments of borrowers, risk-based pricing, portfolio management, Value at Risk (VaR), Sensitivity Analysis, and securitization are the credit risk management instruments used by banks. According to the report, banks must deal with credit risk, market risk, and operational risk. According to this survey, the majority of Indian banks managed credit risk using advanced risk management procedures and systems, which decreased non-performing assets and increased bank profitability.

A few facts and numbers about the loan loss provision of commercial banks were highlighted by the reporter in the post report titled "Loan Loss provision rises Notably" that was published in the Kathmandu Post (2022 December). The loan loss provisioning reserve in the banking industry has recently increased significantly. The increase is mostly the consequence of a 2001 regulation from Nepal Rastra Bank (NRB) imposing stricter loan provisioning requirements for commercial banks. The increase is more than 51 percent, according to statistics the central bank just provided. According to the most recent NRB data, Nepal Bank Ltd.'s loan provision has seen a notable uptick (NBL). In addition, the reporter notes that loan provisioning by other joint venture private banks has increased significantly, aside from the two technically insolvent government-invested banks. The noteworthy increases in loan loss provisioning amounts are attributed to the eight-point prudential directives that the central bank issued in mid- to all commercial banks. The reporter concludes, "To ensure the overall health of the banking system, the directives laid down stringent guidelines relating to loan loss provisioning. The directive requires loans to be provisioned to the extent of 50 percent if the period of default extends beyond six months, and to the extent of 25 percent if the payment is defaulted for more than three months. The earlier directive required progressive provisioning of loans, but it allowed for a maximum of three years, as opposed to the current system of just one year, for loans to be provisioned to the extent of cent percent."

The Credit Information Bureau (CIB) has the authority to blacklist a firm, company, or settle a debt within a certain amount of time. The CIB will keep an eye on those individuals and companies that have principle loans of more than Rs. 1 million. Nepal Rastra Bank (NRB, 2022) has issued directives to all commercial banks and financial institutions guaranteeing transparency during loan disbursement. According to the provision, all commercial banks as well as financial institutions are now required to disclose the name of loan defaulters every six months. Previously, there was no such legal system of disclosing the loan defaulter's name. The new directives have also barred the financial institutions from lending any amount to the blacklisted defaulter and his family members.

The Effect of Credit Risk Management and Bank-Specific Factors on the Financial Performance of the South Asian Commercial Bank is a study done in 2022 by Siddique, Khan, and Khan that was published in the Asian Journal of Accounting Research. The study's findings indicate that, in two South Asian nations (Pakistan and India), credit risk, bank-specific characteristics, and financial performance are all empirically investigated in this work. According to the study's findings, managers in South Asian nations should concentrate on boosting capital adequacy in order to improve financial gain (FP) while applying cutting-edge methods and approaches for managing credit risk (NPLs). There is a noteworthy and affirmative correlation between the FP of commercial banks and one indication of the bank-specific variable (ALR). Conversely, there is a noteworthy and affirmative correlation between CER and LR and the FP of South Asian commercial banks. With the exception of AGE, the study's control variables—bank size and inflation—are likewise important in both models. There are several policy recommendations that South Asian commercial banks have to adhere to. The following factors are contributing to the rise in non-performing loans (NPLs): a lack of consumer education about loans, market issues, and inadequate supervision and monitoring of clients. When determining whether a client has sufficient means of repayment or not, bank management should make an efficient decision. In addition, banks are able to provide professional advice to loan officers about practical ways to effectively fund borrowing in order to ensure that the necessary return on the whole investment made by the company is obtained. A well-maintained liquidity position will allow the company to thrive even in highly competitive environments.

Although the study's focus is limited to commercial banks, this model can also be used to Islamic banks, and it may be used by future studies to compare commercial and Islamic banks. The data used in the study came from just 19 banks; further research can gather data from more institutions and over a longer period of time; if these factors are enhanced, the findings will provide a more accurate and dependable picture of the population. The research only included data from two South Asian countries; but, by including other Asian countries, the study's findings may be enhanced by offering a more accurate and trustworthy depiction of developed and emerging countries.

In the *International Journal of Finance and Commerce*, Bagale (2023) released a study titled *Credit risk management and profitability of commercial banks in Nepal*. Strong credit risk management helps banks avoid major setbacks and improves their financial performance, according to study. Profitable operations provide incentives for owners and employees to invest and work in the company. One key indicator of the bank's profitability is its handling of credit risk. Thus, the bank's profitability is significantly impacted by credit risk management. Using mean, standard deviation, correlation, and regression analysis, data were gathered from a sample of 15 commercial banks that were active in the Nepali economy between 2011 and 2020. One of the main analytical tools for panel data analysis is the pooled regression analysis model (OLS). The model design included return on equity (ROE) as a measure of bank profitability, and credit risk management was assessed using capital adequacy ratio, cash reserve ratio, loan loss provision ratio, non-performing loan ratio, and bank size. The results show that credit risk significantly affects the profitability of Nepal's commercial banks. According to the research, the ratios of cash reserve, loan loss provision, and non-performing loans have a negligible detrimental effect on the return on equity of Nepali commercial banks. The research shows that return on equity is positively impacted by bank size and liquidity ratio. The research also shows that in Nepali commercial banks, the liquidity ratio significantly improves return on equity. Additionally, it is evident that the capital adequacy ratio significantly reduces return on equity. Thus, this research comes to the conclusion that a key indicator of a bank's profitability is its credit risk management. As a result, the bank's capacity to control credit risk determines its profitability. The purpose of the research was to evaluate how exposures to credit risk affected bank profitability. The following explanatory variables, which indicate exposure to credit risk: CAR, CRR, LQ,

NPL, LLP, and BS. The research shows that return on equity is positively impacted by bank size and liquidity ratio. The return on equity is also significantly impacted negatively, as the capital adequacy ratio indicates. According to the study's findings, bank size, cash reserve ratio, loan loss provision ratio, and capital adequacy ratio had the least bearing on the sample commercial banks' financial performance.

The study "Effects of Credit Risk on Growth of Commercial Banks in Nepal" was released by Humagain in 2023. The Journal of Management and Development Studies has an article on Credit Risk Management of Commercial Banks in Nepal. The purpose of this research is to look at how credit risk management strategies have affected Nepal's commercial banks' expansion. The study combined quantitative research techniques with a descriptive research approach. Over a 12-year period, from 2011 to 2022, data were gathered from System-X. The study's findings show that non-performing loans (NPLs) significantly harm bank profitability and the expansion of total assets in Nepal. Throughout the research period, the commercial banks' average percentage of non-performing loans was 1.5%. The banking industry's average increase in total assets throughout this time was 19.94 percent. Inflation, non-performing loans, and the credit to deposit ratio were statistically significant predictors of the expansion of commercial banks. The survey also showed that Nepalese commercial banks' credit management procedures are not up to par. In order to reduce credit risks, this report also recommends that the regulatory body evaluate banks' credit risk management strategies on a regular basis. According to the research, there is a positive correlation between the expansion of Nepal's commercial banks and lending to deposits, but a strong negative correlation between non-performing loans and inflation. In order to reduce credit risks, the research also recommends that the regulatory body evaluate banks' credit risk management strategies on a regular basis. An event research may be conducted to advance this study because of the Central Bank of Nepal's changes to the regulatory framework throughout time, including mergers, the BASEL Framework, interest rate capping, and percolation rules on the assessment of credit risk in banks. It is also expected that this study would provide researchers with insightful information and act as a knowledge base for future studies.

A study titled *Examining the Determinants of Credit Risk Management and their Relationship with the Performance of Commercial Banks in Nepal* was published in 2023 by Bhatt, Ahmed, Iqbal, and Ullah. This research looked at the factors that affect credit risk management and how they relate to Nepal's commercial banks' performance. These results imply that a bank in Nepal would need to consider a number of important factors in order to implement an efficient risk management strategy. The proficiency of bank staff in risk and risk management is crucial to the effectiveness of risk management strategies in Nepal. In addition, banks need to have an active approach to risk management in order to maintain capital and identify, assess, monitor, and control a variety of risks, including credit, market, liquidity, and operational risks. In addition to being a helpful exercise to meet regulatory requirements, the construction of a comprehensive risk management system in Nepali banks that takes standard procedures into consideration is also an excellent practice to enhance the performance of financial institutions. Consequently, the results of this research provide credence to the hypothesis that risk management significantly influences the performance of certain banks in Nepal. Even if credit risk is the most prevalent kind of bank risk, market risk is still relevant and should not be disregarded, particularly in light of the many risk measurement techniques that are crucial for analysts and economists. It is observed that there are shortcomings and restrictions in the market risk measuring approaches that appear under both typical and crisis-like circumstances. Such approaches, however, remain essential tools in the process of accepting the whole risk to which banks are exposed, and their outcomes help to increase the level of efficiency in the banking and financial industries. The only factors that were surveyed in this research were the effects of market risk analysis, credit appraisal techniques, environmental risk, and the mediating function of credit risk management on the performance of commercial banks in Nepal. It is important to investigate the relationship between financial performance in Nepalese commercial banks and risk management of human resources, taking into account moderating factors such intellectual capital and liquidity risk as well as other hazards. This study's population was restricted to Nepali commercial banks alone. As a result, a later research may cover some more categories, such microfinance banks.

Table 1

Summary of Related Studies (Journals and Articles)

Author, Year	Research Title	Objectives	Findings
--------------	----------------	------------	----------

Neupane (2010)	Profitability analysis of Laxmi Bank Ltd. and Siddhartha Bank Ltd	To analyze the profitability of Laxmi Bank Ltd. and Siddhartha Bank Ltd.	Laxmi Bank has a more consistent cost of deposit; Siddhartha Bank earns more from fees and commissions.
Poudel (2012)	Credit management of Nepalese Commercial Banks (BOK and NIBL)	To analyze credit management practices of BOK and NIBL.	NIBL has better liquidity and investment in government securities; positive correlation between loans and profits.
Chand (2012)	Credit Disbursement and Repayment of Agriculture Development Bank Nepal	To study the repayment situation and growth rate of investment in Agriculture Development Bank Nepal.	Significant relationship between credit disbursement and repayment; systematic repayment issues identified.
Maharjan (2012)	Comparative Profitability and Fund Management Analysis of Nepal Bank Ltd. and Rastriya Banijya Bank Ltd.	Evaluate profitability and operating efficiency of Nepal Bank Ltd. in comparison to Rastriya Banijya Bank, analyze growth trend of profitability, and inform investors.	Evaluate profitability and operating efficiency of Nepal Bank Ltd. in comparison to Rastriya Banijya Bank, analyze growth trend of profitability, and inform investors.
Gautam (2014)	Investment Analysis of Finance Company of Nepal	To analyze the interest rate structure and repayment of credits in Nepalese finance companies.	Decreasing hire purchase credit; significant increase in credit loss provision.
Adhikari (2016)	Liquidity and Credit Management Practices of Commercial Banks in Nepal	Analyze the trend of liquid assets and credits and advances provided by NIBL and NCC, and find out strengths and weaknesses in credit position of NIBL and NCC.	There was a significant positive correlation between total credit and total deposit, as well as between total credit and net profit. NIBL had better liquid asset management than NCC
Kadariya (2017)	Deposit mobilization of commercial banking in Nepal	To study loan investment, collection of Nabil Bank Limited and Nepal Bank Limited, and their financial positions.	NABIL has more consistency in profitability; NBL has a higher spread rate. Both banks' net profits are increasing.
Noor, Das & Banik (2018)	Impact of Credit Risk Management on Financial Performance of Banks: A Study on Major State-Owned Commercial Banks in Bangladesh	To measure the impact of credit risk on ROI, ROE, and ROA of banks.	POCL has a significant negative impact on ROI; co-integration among variables exists.

Kaitibi, Ganawah, Yokie, & Koroma (2018)	Impact of Efficient Credit Management on Profitability of Commercial Banks in Sierra Leone	Assess the impact of efficient credit management on profitability of commercial banks in Sierra Leone using Rokel Commercial Bank as a case study.	Profitability of commercial banks in Sierra Leone is significantly influenced by the efficiency of credit management. Banks need good credit policies to improve profitability
Oyebowale (2019)	Determinants of Banks Lending in Nigeria	Investigate influences of growth in loan to deposit ratio, inflation, broad money, and bank capital on growth in commercial bank lending in Nigeria.	Investigate influences of growth in loan to deposit ratio, inflation, broad money, and bank capital on growth in commercial bank lending in Nigeria.
Pradhan & Shah (2019)	Credit Risk Management of Commercial Banks in Nepal	Analyze relationship between credit risk management practices, credit risk mitigation measures, obstacles, and loan repayment.	Credit risk management practices and mitigation measures positively relate to loan repayment, while obstacles faced by borrowers have no significant relationship with loan repayment
Brahmaiah (2021)	Credit Risk Management Practices of Indian Banking Industry: an Empirical Study	To examine the risk management techniques of Indian commercial banks.	Private sector banks have better credit risk management; PSBs have more NPAs and worse asset quality.
Siddique <i>et.al.</i> (2022)	The Effect of Credit Risk Management and Bank-Specific Factors on the Financial Performance of South Asian Commercial Banks.	This study aims to investigate the causal relationships between credit risk, bank-specific factors, and financial performance (FP) in commercial banks across South Asian countries, specifically Pakistan and India.	There is a significant relationship between credit risk management practices, bank-specific factors, and financial performance (FP) in South Asian commercial banks, specifically in Pakistan and India.
Kathmandu Post (2022)	Loan Loss Provision Rises Notably	Highlight facts regarding loan loss provision of commercial banks	Significant increase in loan loss provisioning reserves due to NRB directives; stringent guidelines laid down by central bank to ensure good health of banking system
Humagain (2023)	Effects of Credit Risk on Growth of Commercial Banks in Nepal	To investigate the effects of credit risk management tools on the growth of commercial banks in Nepal.	Non-performing loans negatively affect bank performance; credit to deposit ratio positively impacts growth.
Bhatt, Ahmed,	Examining the	To investigate the	Effective risk

Iqbal & Ullah (2023)	Determinants of Credit Risk Management and their Relationship with the Performance of Commercial Banks in Nepal	determinants of credit risk management and its relationship with bank performance.	management impacts bank performance; importance of understanding risk management.
Maharjan (2023)	Credit Risk Management and Its Impact on Profitability of Commercial Banks in Nepal	To analyze the impact of credit risk management on commercial banks' profitability in Nepal.	Non-performing loans negatively impact profitability; management efficiency ratio is significant and positive.
Bagale (2023)	Credit Risk Management and Profitability of Commercial Banks in Nepal,	To examine the relationship between credit risk management practices and the financial performance of commercial banks operating in Nepal from 2011 to 2020.	The study found that effective credit risk management significantly enhances financial performance by positively influencing return on equity (ROE). Specifically, bank size and liquidity ratio were identified as key factors positively impacting ROE, while capital adequacy ratio had a significant negative impact.

Review of Thesis

Profitability analysis of Laxmi Bank Ltd. and Siddhartha Bank Ltd., a research by Dipika Neupane (2010), reveals that profit is primarily a measuring rod of success of an activity. Profitability is a deviation of the word profit, which demonstrates the capacity to produce a profit. It serves as a foundational assessment of any company's success. To put it simply, profit is the difference between sales and expenses, although there are other ways to define the word. Profit is essentially the arc that centers any commercial endeavor. Profit is a company's primary financial metric, and it is necessary for the environment in which businesses operate to be maintained and expanded. To increase the market price of a share and draw in more capital investment, profit is necessary. The result of effective management, efficient operations, etc., is profit. The financial objective of a company used to be to maximize profit, but this is no longer the case. In fact, practically all businesses are now built with the intention of earning a profit, even in the event that profit

cannot be earned. The involved business cannot function without revenue. Therefore, the issue of profit is delayed and involves both the firm's goals and economic theory. According to the study's findings, Laxmi Bank's weighted average cost of deposits varies from 3.75 to 4.29, whereas SIDDARTHA's ranges from 3.52 to 4.10. Laxmi Bank's weighted average cost of deposits is more constant than SIDDARTHA bank's. Interest accounted for more than 75% of the overall revenue. Thus, it serves as the primary source of revenue. By contrast, Laxmi Bank earns a larger percentage of interest than Siddhartha Bank does overall. This indicates that Siddhartha is making more money from commissions and fees than Laxmi Bank. The ratio of interest expenditures to total expenses for both banks is rising. Compared to LAXMI Bank, SIDDARTHA Bank has a lower staff cost to total expenditure ratio. The ratio of LAXMI Bank's office running expenditures to total expenses is more stable than SIDDARTHA Bank's.

According to a research by Kapil Raj Poudel (2012) titled Credit Management of Nepalese Commercial Banks (with Reference to BOK and NIBL), one of the most significant duties of directors and management is the creation and execution of lending policies. For a bank to fulfill its credit obligations, thoughtful lending policies and prudent lending procedures are necessary. Analyzing BOK and NIBL's credit management is the study's primary goal. The study's specific goals are to: assess the credit standing of the chosen commercial banks in Nepal (BOK and NIBL); evaluate the credit management systems and procedures of BOK and NIBL; compare the effectiveness of asset management, credit risk, and liquidity management; ascertain the trend of deposits in liquidity and how it affects lending practices; and provide appropriate recommendations based on the study's findings. Commercial banks have exceedingly hazardous credit practices. The primary goal of the study's conclusion is to highlight two commercial banks' credit management. Although banks are generally required to retain higher levels of liquid assets, all of their current ratios fall short of the 2:1 benchmark. NIBL has a greater current ratio than BOK, with a mean of 1.08 compared to 0.81 for BOK. It suggests that NIBL has a stronger liquidity position. NIBL has a smaller ratio of cash and bank balance to total deposit than BOK. NIBL has a lower loan and advance to total asset ratio than BOK. The ratio of BOK's total assets to investment in government securities is 21.61% < 21.84%, which is somewhat less than NIBL. This suggests that a larger percentage of NIBL's total assets have been allocated to government securities. Both banks have a substantial correlation coefficient. The total deposit and investment of

BOK and NIBL have a favorable link with each other. Loan and advance, net profit of BOK, and NIBL have a 0.98 and 0.97 correlation, respectively. The correlation between BOK and NIBL for total deposits is 0.991, whereas the correlation between BOK and NIBL for investments is -0.183, indicating a negative relationship. Loan and advance and BOK's net profit have a considerable link, and NIBL has a significant relationship as well. The loan and advance and net profit correlation coefficients between BOK and NIBL exhibit a strong positive association, measuring 0.99 and 0.96, respectively. Additionally important is the correlation coefficient.

In the research that Chand carried out. In his article "Credit Disbursement and Repayment of Agriculture Development Bank Nepal," Kumar (2012) lists the issues, including the fact that small farmers are not helped by the bank (i.e. problem of balance development). Credit is collected slowly, which impedes the flow of money needed for economic growth and development. The study's goals are to determine the payback scenario. in order to determine the investment's growth rate. to provide an explanation for any non-repayment delays. According to the research, there is a consistent correlation between credit allocation and payback. The computed coefficient of correlation value is 0.94, indicating a significant association. Repayment conditions for production and agro-based industries, farm mechanization and warehouses, irrigation, tea horticulture, livestock, poultry, and fisheries are satisfactory. Chand recommended that ADB/N take a major role in meeting the credit needs of rural areas. Credit should be routed via the borrower groups in order to successfully recover credit from the customers or borrowers.

According to a study by Prity Joshi (2012) titled Credit Management in Nepalese Commercial Banks (with reference to Nabil Bank Ltd and Everest Bank Ltd), EBL's credit practices were found to be comparatively better than those of NABIL Bank because the majority of the study's ratios gave the bank a higher score. In contrast, credit efficiency measurement yielded results that were controversial for both NABIL and EBL, but it was found to be better in EBL because the majority of the study's ratios supported EBL. The results of the statistical research support the assertion that the credit and advances issued have a significant impact on each bank's net profit. All banks' net profit and the amount of loans and advances they have issued have a completely connected connection that is statistically significant. Additionally, there is a statistically significant correlation between the total deposit, loan, and advance amounts and the overall credit

amount. Therefore, it may be said that changes in the deposit, loan, and advance amounts also affect changes in net profit.

According to a 2013 study by Krishna Joshi titled "Lending policy of Commercial Banks in Nepal," the study's main goals are to examine the role that commercial banks play in both their performance and their functions, as well as to identify major weaknesses in their lending policies and to suggest changes to their lending policies to address the banks' continued laziness in taking an active role in utilizing the resources that are gathered from various sectors in accordance with the needs of the economy. He suggested that Nepal Rastra Bank play a major part in the nation's overall economic policy. The NRB should be in charge of lending policies and play a role in resolving a number of issues that have arisen in the banking industry.

According to a 2013 research by Durga Thapaliya titled Credit Management of Nepalese Commercial Banks, HBL is secure when it comes to liquidity, just as SBI and NBL would be in a liquidity constraint if depositors made large withdrawals. To put it another way, HBL is maintaining more liquidity, which makes it difficult to generate more revenue. However, the other two are more active when it comes to loan deployment, which might weaken the bank's liquidity position. In contrast, SBI is using credit more aggressively, HBL's credit mobilization tendency is moderate, and NBL seems to be quite protective when it comes to credit mobilization. In contrast, SBI is in middling condition, HBL is at a lesser level, and NBL is mobilizing larger deposits for investments. SBI has the highest deposit mobilization on credit, HBL has a moderate deposit mobilization on credit, and NBL has a somewhat lower credit mobilization. For NBL compared to other lenders, the investment to total loan and advance ratio is larger. In a similar vein, SBI has a lesser ratio and HBL has a moderate ratio. While SBI and HBL have almost the same percentage, NBL has a larger loan loss provision. CBs are working to reduce the NPL compared to previous years, although the NBL ratio is larger than other. In contrast, NBL is allocating more funds to the priority sector, SBI is allocating moderate amounts to the priority sector, and HBL is allocating less credit to the priority sector than other CBs. Compared to the other two CBs, NBL's deprived sector lending ratio is sufficiently higher. The overall amount as of mid-July 2009/10 shows that HBL, SBI, and NBL all deployed around the same amount of credit under the subject of agriculture. A selection of three CBs seem to be ignoring the mining industry. Although SBI is emphasizing

construction credit, NBL and HBL have the same weight in the construction loan category. SBI has a stronger credit rating than others for metal manufacturing. The heading for transportation equipment roughly equals the weight of three banks. HBL has been allocated a larger weight under the subject of transportation communication, whereas NBL has been assigned a lower weight than HBL and higher than SBI. The weight of SBI and NBL's wholesale and retail loans is almost equal, while HBL's weight is smaller than that of NBL and SBI. HBL has a larger weight of fixed assets and financing insurance, whereas SBI has a moderate weight and NBL has a lower weight than the others. SBI has a larger weight under the service credit category than NBL, which is moderate, and HBL, which is lower than other. Although NBL has a larger weighted consumable loan portfolio, SBI and HBL provide very little capital to this industry. From the chosen CBs, about the same sum is distributed under the local government heading. In a same vein, NBL, HBL, and SBI are also provisionally allocating equal funds for other heads. Whereas HBL and SBI have almost little security on this heading, NBL maintains a better level of protection on gold and silver. Regarding government security, HBL is almost nonexistent, SBI has very little, and NBL is on the upper end. Under the category of non-government securities, three CBs have essentially the same security. Under the category of asset guarantee, SBI and HBL have essentially the same security. NBL, however, has less security in this category. NBL, SBI, and HBL have almost the same degree of security in the bill guarantee instance. HBL's security is lower than NBL's and greater than SBI's under the guarantee heading. NBL has stronger security. For three institutions, there is almost no security under credit cards. SBI and HBL have almost the same degree of security, although NBL has stronger security under other headings. After 2008–2009, HBL and SBI had a decline in operating profit, whereas NBL continued to rise. For three CBs, the relationship between net profit and loan advance seems to be erratic. All three of the commercial banks' interest income and cost ratios are trending upward. NBL's trajectory is more erratic than those of the other two banks. Observing the NBL's movement, interest income trends are higher than in the past, while deposit costs are essentially same. Interest revenue produced for loan mobilization fluctuates for HBL and NBL, but it is stable for SBI. The Interest Expenses to Deposit ratio reveals that SBI has a greater ratio, HBL has a moderate ratio, and NBL has a lower ratio. For the HBL and SBI, loans to Industrial and Financial Corporation are almost nonexistent. The three banks give other government corporations no attention at all.

The main goals of Naresh Gautam's (2014) study, "Investment Analysis of Finance Company of Nepal," are comparable to my own research in that they examine the interest rate structure of loans. to evaluate the credit payback. According to her results, the amount of money used for the hire buy credit is gradually declining. The credit loss provision was employed to assess the credit quality since there was no direct data on good and poor credit. Every year, credit loss rises dramatically and has to be managed. Upon individual investigation, the loss provision of some companies is more concerning. The business that has a higher than normal credit loss reserve has to reconsider its approach to investments and repayments.

The following fundamental goals are stated in a research by Raj Kumar Regmi (2015) titled "A study on credit practices of joint venture commercial banks with reference to Nepal SBI Bank Ltd. and Nepal Bangladesh Bank Ltd."

- To ascertain the effect of deposits on liquidity and how lending practices are affected.
- To be aware of how much each bank contributes to lending.
- To assess the profitability of lending efficiency and its contribution.
- To examine the pattern of deposit use for loans, advances, and net profit, as well as their forecast for the ensuing five years.

The current ratio of NSBL is greater than that of NBBL in terms of liquidity ratio. Compared to NBBL, NSBL has a larger liquid fund to current obligation ratio. This demonstrates that NSBL is more consistent than NBBL. NSBL has a greater cash and bank balance to deposit ratio than NBBL. The liquidity risk resulting from market fluctuations in interest rates is measured by cash and bank balance in relation to interest-sensitive deposits. Compared to NSBL, there is a greater ratio of cash and bank balance to interest-sensitive deposits. Because of the large amount of interest-sensitive liabilities in the deposit mix, NSBL is in a bad situation. Compared to NSBL, the ratio of NBBL's loans and advances to total assets is larger. Similarly, NBBL has a greater mean ratio of loans and advances to total deposits than NSBL. Similar to how the ratio of total investment to total deposit at NSBL is larger than that of NBBL, so is the mean ratio of investment to loans and advances and investment at NSBL. Compared to NSBL, NBBL has a larger credit-to-total-credit ratio for government firms. Compared to NSBL, NBBL has a higher mean ratio of credit to total bills paid and a greater discount to total credit ratio. 95.91% of loans in the private sector, 2.51% of loans in the public sector, and 1.56% of discounts and bills paid have all been provided by NSBL. Similarly, NBBL has

contributed 90.83% to loans in the private sector, 4.29% to loans in the public sector, and 4.84% to discounts and bills paid. The relative measure of profitability is shown by the ratios of earning per share (EPS) and return on equity (ROE), among other measures of profitability. NBBL outperforms NSBL in terms of performance. In every year, NBBL's return on equity and earnings per share outperform NSBL's. The correlation coefficient between the deposits and the loans and advances from both banks is positive. Additionally, there is a positive connection coefficient between total income and both banks' loans and advances. Since other factors such a rise in interest rates and loan loss provision effect net profit, the coefficient of correlation between net profit and loans and advances of NSBL is negative. The NBBL's loans and advances and net profit have a positive coefficient of connection. The whole deposit of NSBL and NBBL shows a growing tendency, according to trend research. Compared to NBBL, NSBL has a lower increase ratio on deposit. The lending methods and the amount of credit in relation to deposits are the primary subjects of this research. Thus, the primary research need in this work is the examination of credit risk or the risk associated with lending procedures. Thus, more research on the risk associated with credit creation may be conducted.

The "Investment Policy of Commercial Banks of Nepal" research conducted by Rabindra Joshi (2016) attempted to learn about and comprehend the money mobilization and investment policies of EBL, Nabil, and LBL. The goal of the thesis work was to assess growth ratios in relation to other financial variables and analyze the path of deposit usage toward total investment and loan & advances. Based on her research, she has determined the following conclusions:

- EBL has a superior liquidity situation than both Nabil and LBL.
- When compared to the other two banks, EBL's overall investment falls in the middle.
- The lowest overall interest generated relative to EBL's total outside assets. EBL
- When compared to the other two banks, EBL's overall investment falls in the middle.
- The lowest overall interest generated relative to EBL's total outside assets. Compared to Nabil and LBL, EBL has a greater capital risk ratio but an average credit risk ratio.

She has advised EBL to mobilize surplus idle cash and bank balance in a lucrative and productive industry based on the results. She also underlined the need of increasing share and debenture investments as they support national financial and economic growth. In order to maximize their investment portfolio, she has recommended that the bank make constant efforts to investigate new, competitive, high paying investment opportunities.

She has also advised the bank to use a creative marketing strategy. Given the increasing rivalry in the banking industry, a bank's operations need to be focused on its clients. The bank should create a novel approach to bank marketing and devise fresh plans for providing clients with more convenient and satisfying service by making the most use of current technologies and providing them with additional services at affordable costs.

A portion of the credit risk connected to the banks has been examined in a research conducted by Prabin Kumar Shrestha (2017) and titled "A study of Non performing Loan & loan loss provision of Commercial Bank, A case study of NABIL, SCB, and NBL." Her study's primary goals were:

- To determine what percentage of the commercial banks that have been chosen have non-performing loans.
- To identify the causes of the rise in non-performing loans in commercial banks.
- To research and evaluate the policies and procedures relating to loan loss provisioning and loan categorization.
- To ascertain how the loan and loan loss provisions of the chosen commercial bank relate to one another.
- Researching how loan loss provisions affect commercial banks' bottom lines.

Her study's key discovery was that, in terms of total assets, NBL has the largest share of loans, followed by NABIL and SCBNL. She comes to the conclusion that the SCBL has a risk-averse mindset. Likewise, NBL, NABIL, and SCBNL have the greatest percentages of non-performing loans relative to total loans. In the same way, the NBL has the biggest loan loss provision, while the SCBL has the lowest. Similarly, NABIL, SCBL, and NBL have the next-highest percentages of loss loans, respectively. While the focus of this study is mostly on non-performing loans, there are many other aspects of credit risk management that also need more investigation. Collateral risk, concentration risk, and organization risk management system may all be researched in relation to credit risk.

Comparative Analysis of Credit Management of NBL and EBL, a research by Mahesh Rimal (2018), shows that EBL's average operational profit is higher than NBL's. It indicates that EBL has appropriately maintained its earning capability and has continued to provide reasonable returns to its stakeholders. However, NBL has also managed to slightly improve the ratios of interest revenue to advances and loans. Given the high ratio of non-performing loans and average loan loss provisions to total loans and advances of

NBL, there will be a larger reduction from profit and dividend. This is where EBL outperforms NBL in terms of performance. There is a favorable association between the majority of loan-related statistics and both NBL and EBL's profitability. It implies that they appreciate or depreciate in tandem. Additionally, there is a perfect positive link between the EBL's profitability and credit efficiency ratios, meaning that a rise in one will always result in an increase in the other. Nonetheless, there is little difference between the two banks' credit and risk management ratios.

According to Puja Laxmi Shrestha's 2019 report, "Credit Risk Management and Financial Performance of Commercial Banks in Nepal," there is not enough liquidity in any of the joint venture banks. It demonstrates that banks lack an appropriate investment sector to make use of their liquid assets. Currently, a large number of banks and other financial organizations are operating in Nepal in order to receive deposits and make investments. As a result, monetization has risen since the government adopted its liberalization agenda. Significant remittances have also contributed to the institutions' increased deposit levels. On the other side, economic sectors have suffered as a result of political unrest and crises. Security issues have forced the withdrawal of the majority of the projects. Consequently, since there are no secure investment industries, banks have the most liquidity. The majority of the money used by all joint venture banks have been used as advances and credit, therefore this is how deposits are mostly used to generate revenue. Deposit-born banks are able to provide their clients a variety of services, including advances and credit. Because of this, banks are drawing deposits to the underprivileged communities in order to benefit from it. Every year, all joint venture banks have seen an increase in their provisions for credit and losses. Credit providers are not seeing a favorable return on their investment because of the state of the nation's economy. Due to this circumstance, credit clients fail to restore bank funds within the allotted time frame. As a result, there is a greater chance of credit default. The bank ought to raise its provision for credit loss as a result. Both controlling risk within the banking system and lowering the chance that the financial sector would spill over into the actual economy presented difficulties. to strengthen the banking industry's resistance to shocks brought on by a weak economy and finances. "Basel III: A global regulatory framework for more resilient banks and banking systems" was released in December 2010 by the Basel Committee on financial Supervision (BCBS). Basel III's goals are to increase each bank's ability to withstand shocks as the first line of defense. Along with the measures, the efforts were focused on

preventing the weakening of the financial sector overall and minimizing its negative effects on the actual economy.

According to Puja Laxmi Shrestha's 2019 report, "Credit Risk Management and Financial Performance of Commercial Banks in Nepal," there is not enough liquidity in any of the joint venture banks. It demonstrates that banks lack an appropriate investment sector to make use of their liquid assets. Currently, a large number of banks and other financial organizations are operating in Nepal in order to receive deposits and make investments. As a result, since the government adopted its liberalization strategy, monetization has expanded. Significant remittances have also contributed to the institutions' increased deposit levels. On the other side, economic sectors have suffered as a result of political unrest and crises. Security issues have forced the withdrawal of the majority of the projects. Consequently, since there are no secure investment industries, banks have the most liquidity. The majority of the money used by all joint venture banks have been used as advances and credit, therefore this is how deposits are mostly used to generate revenue. Deposit-born banks are able to provide their clients a variety of services, including advances and credit. Because of this, banks are drawing deposits to the underprivileged communities in order to benefit from it. Every year, all joint venture banks have seen an increase in their provisions for credit and losses. Credit providers are not seeing a favorable return on their investment because of the state of the nation's economy. Due to this circumstance, credit clients fail to restore bank funds within the allotted time frame. As a result, there is a greater chance of credit default. The bank ought to raise its provision for credit loss as a result. Both controlling risk within the banking system and lowering the chance that the financial sector would spill over into the actual economy presented difficulties. to strengthen the banking industry's resistance to shocks brought on by a weak economy and finances. "Basel III: A global regulatory framework for more resilient banks and banking systems" was released in December 2010 by the Basel Committee on financial Supervision (BCBS). Basel III's goals are to increase each bank's ability to withstand shocks as the first line of defense. Along with the measures, the efforts were focused on preventing the weakening of the financial sector overall and minimizing its negative effects on the actual economy.

Impact of Credit Risk on Profitability of Commercial Banks in Nepal, a research by Sony Maharjhan (2020). According to the research, factors related to credit risk, CAR, and

LLPR have a favorable effect on commercial banks' profitability in terms of both ROE and ROA. In terms of both ROA and ROE, NPLR and LTDR have a detrimental effect on the commercial banks' profitability. Among the five sample commercial banks in Nepal, NABIL has the greatest average return on assets (ROA) and SBI has the lowest, according to the examination of bank profitability. Compared to the other five commercial banks, EBL has a lower coefficient of variation (C.V.). This indicates that EBL's profitability position is more stable. Therefore, EBL has a higher profitability position with less fluctuation. In a similar vein, NABIL has a higher average return on equity (ROE) and a lower coefficient of variation (C.V.), which improves its profitability position. This indicates that NABIL's profitability position is more stable. Therefore, NABIL has a higher profitability position with less fluctuation. According to the research, ROA is positively impacted by credit risk, CAR, and LLPR factors. However, the ROA of Nepalese commercial banks is negatively impacted by both NPLR and LTDR. Furthermore, CAR and LLPR, two independent credit risk factors, have a statistically significant positive influence on ROE. However, Nepalese commercial banks' ROE profitability is negatively impacted by NPLR and LTDR. However, our findings are limited by the available data. We think that further study on the subject will be beneficial to the discipline in order to validate the results. The useful and pertinent suggestions provided in the next section may help accomplish this.

Credit Risk Management and Performance of Commercial Banks, a research by Rashmi Balampaki (2021), sought to identify the internal variables influencing credit risk management and bank performance. The findings demonstrated that credit risk management is a significant predictor of bank financial performance, and as a consequence, risk management is essential to bank performance success. The study's findings indicate that the non-performing loan ratio, cash reserve ratio, capital adequacy ratio, and bank size have the greatest effects on a bank's performance. This is shown by the noteworthy findings of the capital adequacy ratio, which may be considered a factor impacting bank performance since greater capital adequacy may absorb potential loan losses, prevent bank run bankruptcy, and manage risk. The study's findings demonstrate that non-performing loans have a positive, considerable ROA and a negligible ROE. In other words, non-performing loans simply affect banks' return on assets (ROA). Since the cost per loan asset has little bearing on bank performance, it cannot be a factor that influences bank performance. Cash reserve ratio (CRR) measures a bank's liquidity, but it

also significantly affects bank performance. The research discovered markers of credit risk; bank size also has an impact on bank performance. In addition, bank return on equity was examined, with capital adequacy and cash reserve ratios being important indicators of bank success. It offers shareholders the ability to forecast and improve bank performance and capital allocation choices. The bank is encouraged to place greater attention on risk management in order to lower loan risk and achieve maximum performance, since credit risk management generally contributes significantly to bank performance.

The Effect of Credit Risk Management on Financial Performance of Joint Venture Commercial Banks of Nepal is a research done in 2021 by Jeena Gurung. This review-based descriptive and analytical study aims to determine the status and growth of non-performing loans, loan loss provision, interest suspense, loan write-off, and capital adequacy ratio. It also seeks to determine the composition of credit risk weighted assets relative to total risk weighted assets and the primary credit risk management strategies/practices employed by selected banks in managing their inherent credit risk. The following financial measures were chosen: interest suspense to interest income, capital adequacy ratio, non-performing loan to total loan, loan loss provision to NPL, loan write off to NPL, and credit risk weighted assets to total risk weighted assets. In addition, a comparative and descriptive technique was used to evaluate the data; as a result, secondary data, together with the necessary data table, bar diagram, and trend line, were gathered, presented, and analyzed in chapter four. The analysis comes to the conclusion that there is not enough liquidity in any joint venture bank. It demonstrates that banks lack an appropriate investment sector to make use of their liquid assets. Currently, a large number of banks and other financial organizations are operating in Nepal in order to receive deposits and make investments. As a result of the absence of secure investment industries, banks have maximum liquidity. The majority of the money used by all joint venture banks have been used as advances and credit, therefore this is how deposits are mostly used to generate revenue. Deposit-born banks are able to provide their clients a variety of services, including advances and credit. Because of this, banks are drawing deposits to the underprivileged communities in order to benefit from it. Every year, all joint venture banks have seen an increase in their provisions for credit and losses. Credit providers are not seeing a favorable return on their investment because of the state of the nation's economy. Due to this circumstance, credit clients fail to restore bank funds within

the allotted time frame. As a result, there is a greater chance of credit default. The bank ought to raise its provision for credit loss as a result.

Factors Affecting Credit Management of Nepalese Commercial Banks: A Comparative Analysis of Siddhartha Bank Limited and Sanima Bank Limited is a study done by Sabbu Maharjhan (2021). The results of the study show that the bank loan is determined by the analysis of both the selected variable. While some factors have low significance levels, others have high significance levels. To handle loans, the banking industry in Nepal has to strengthen its credit risk system and self-competency. Establishing strong financial institutions requires careful monitoring of both internal and external elements. The analysis comes to the conclusion that loans and advances are both highly hazardous and lucrative assets for banks. The loan and advances should thus be properly handled and regulated. The goal of loan management is to handle advances and loans while keeping a sufficient cash position. The results of this research demonstrate a strong correlation between loan management and bank performance. Bank performance improves with improved loan management. As a result, it is critical that banks manage loans more effectively while still protecting their assets and the interests of their investors. According to the research, banks used a variety of loan management methods and strategies to control their credit risk, but they all had the same primary goal of lowering the rate of loan default, which is a major contributor to bank failure. The research also shows that banks with solid lending policies and credit risk management have lower loan default rates, or bad loans, and better profitability, or interest income. The primary conclusion of this study paper is that loan management may contribute to tackling the issue of rising non-performing loan and aid to manage loan, deposit and investment so as to enhance overall performance of organization.

The Impact of Credit Performance on the Profitability of Commercial Banks in Nepal is a research that Bimal Tamang (2022) did. This study's primary goal is to look at how credit risk affects Nepalese commercial banks' performance. The data of five commercial banks with 50 observations for the period of 2011/12 to 2021/22 have been utilized for the study. According to the regression model, the profitability of commercial banks is positively impacted by the credit deposit ratio but the impact of non-performing loans (NPL) is statistically insignificant. effect on the performance of banks. The performance of banks is positively and statistically significantly impacted by the capital adequacy

ratio. The study's conclusion shows that the commercial banks in the sample had effective credit risk management procedures. The noteworthy Capital Adequacy Ratio result serves as evidence of this. It suggests that the capital adequacy ratio may be thought of as a factor affecting bank performance. The study accepts that Nepalese commercial banks with higher capital adequacy ratios can advance more loans and absorb credit can record better performance because the coefficient of capital adequacy ratio is positive and statistically significant. Furthermore, the detrimental impact on bank performance is confirmed by the non-performing loan ratio's negative coefficient. Because it indicates the percentage of loan losses to total loans, the non-performing loan (NPL) ratio provides valuable insight into how banks manage credit risk. The poor credit risk management of Nepalese commercial banks is supported by all of these evidences. The results of this study indicate a strong correlation between credit risk indicators and bank performance. As a result, credit risk management in Nepalese commercial banks is inadequate. The average capital adequacy ratio (CAR), return on assets (ROA), company size, and profitability are all positively correlated with each other, while non-performing loans (NPLs) and commercial banks' earnings per share are negatively correlated, according to the study's findings. According to the study, when evaluating the financial performance of commercial banks, banks may need to extend client credit terms, lengthen the cash transfer cycle, and demand a longer payment period.

The capital adequacy ratio is statistically significant and positive, according to a study by Reena Maharjan (2023) titled *Credit Risk Management and Its Impact on Profitability of Commercial Banks in Nepal*. As expected, non-performing loans have a major detrimental effect on the profitability of commercial banks. The outcomes show that the management efficiency ratio is advantageous and statistically significant. The coefficient's sign is expected since it was predicted that the management efficiency ratio would positively correlate with commercial banks' performance. The study's conclusions show that it has no statistically significant impact on profitability, much as the loan to deposit ratio.

Table 2

Summary of Previous Studies (Previous Thesis)

Year	Research Title	Author	Objectives	Findings
2010	Profitability analysis of Laxmi Bank Ltd. and Siddhartha Bank Ltd	Dipika Neupane	Analyze the profitability of Laxmi Bank and Siddhartha Bank	Laxmi Bank has more consistent deposit costs. Both banks earn most income from interest, with Laxmi Bank earning more from interest than Siddhartha Bank. Siddhartha earns more from fees and commissions than Laxmi Bank.
2012	Credit management of Nepalese Commercial Banks (BOK and NIBL)	Kapil Raj Poudel	Analyze the credit management of BOK and NIBL, compare liquidity and asset management, and offer suggestions	NIBL has a better liquidity position than BOK. Positive correlation between total deposit and investment. NIBL has a higher current ratio and invests more in government securities.
2012	Credit Disbursement and Repayment of Agriculture Development Bank Nepal	Chand Kumar	Analyze repayment situation, growth rate of investment, and causes of non-repayment	There is a significant relationship between credit disbursement and repayment. Repayment is satisfactory in production and agro-based industries.
2012	Credit Management in Nepalese Commercial Banks (Nabil Bank Ltd and EBL)	Prity Joshi	Compare credit practices and efficiency of Nabil Bank and EBL	EBL has relatively better credit practices than Nabil Bank. Net profit is highly dependent on credit and advances disbursed.
2013	Lending policy of Commercial Banks in Nepal	Krishna Joshi	Examine the role of commercial banks, their deposit-loan relationship, and suggest improvements	NRB plays a significant role in economic policy. Suggests commercial banks utilize resources more actively and improve lending policies.
2013	Credit Management of Nepalese Commercial	Durga Thapaliya	Compare liquidity, credit deployment, and deposit	HBL maintains higher liquidity. SBI is aggressive in credit deployment, and NBL is defensive. NBL mobilizes

	Banks		mobilization of HBL, SBI, and NBL	higher deposits in investments.
2014	Investment Analysis of Finance Company of Nepal	Naresh Gautam	Analyze interest rate structure and repayment of credits	Use of funds towards hire purchase credit is decreasing. Credit loss provision is increasing and should be controlled.
2015	Credit practices of joint venture commercial banks (NSBL and NBBL)	Raj Kumar Regmi	Determine impact of deposits on liquidity and lending practices, and analyze lending efficiency	NSBL has higher liquidity ratios but lower lending efficiency than NBBL. Positive correlation between deposit and loans & advances.
2016	Investment Policy of Commercial Banks of Nepal	Rabindra Joshi	Analyze trend of deposit utilization, total investment, and growth ratios	EBL has better liquidity and lower interest earned to total outside assets ratio. Suggests EBL mobilize excess cash in profitable sectors and adopt customer-oriented approaches.
2017	Non-performing Loan & loan loss provision of Commercial Banks	Prabin Kumar Shrestha	Study non-performing loans, factors leading to their accumulation, and impact on profitability	NBL has the highest portion of non-performing loans and loan loss provisions. SCBL shows a risk-averse attitude. Positive correlation between loan and loan loss provision.
2018	Comparative Analysis of Credit Management of NBL and EBL	Mahesh Rimal	Compare credit management and profitability of NBL and EBL	EBL has better operating profit and credit efficiency ratios. NBL has higher loan loss provisions and non-performing loans.
2019	Credit Risk Management and Financial Performance of Commercial Banks in Nepal	Puja Laxmi Shrestha	Analyze credit risk management practices and their impact on financial performance of commercial banks	Analyze credit risk management practices and their impact on financial performance of commercial banks
2020	Impact of Credit Risk on Profitability of Commercial	Sony Maharjhan	Analyze the impact of credit risk on profitability of commercial banks in Nepal	CAR and LLPR have a positive impact on profitability (ROA and ROE); NPLR and LTDR have a negative impact on profitability (ROA and ROE); NABIL has the highest

	Banks in Nepal			average ROA; EBL has consistent profitability with low variation.
2021	Credit Risk Management and Performance of Commercial Banks	Rashmi Balampaki	Investigate internal factors affecting credit risk management and bank performance	Credit risk management is a significant predictor of bank performance; CAR and CRR impact bank performance; NPL influences ROA but not ROE; effective risk management is crucial for bank performance.
2021	Effect of Credit Risk Management on Financial Performance of Joint Venture Commercial Banks of Nepal	Jeena Gurung	Find the status and growth of NPL, loan loss provision, interest suspense, loan write-off, and CAR	Joint venture banks have insufficient liquidity; banks have maximum liquidity due to lack of safe investment sectors; provisions for credit and losses are increasing; banks need to manage credit risks effectively to improve performance.
2021	Factors Affecting Credit Management of Nepalese Commercial Banks (Comparative Study of Siddhartha and Sanima)	Sabbu Maharjhan	Determine factors affecting credit management of Siddhartha Bank and Sanima Bank	Loan and advances are profitable but risky; effective loan management is crucial for better bank performance; banks use various tools to manage credit risk and reduce loan defaults; good credit risk management leads to higher profitability.
2022	Impact of Credit Performance on the Profitability of Commercial Banks in Nepal	Bimal Tamang	Investigate the impact of credit risk on the performance of Nepalese commercial banks	NPL has a negative impact on profitability; CAR has a positive and significant impact on bank performance; higher CAR leads to better performance; poor credit risk management in Nepalese banks.
2023	Credit Risk Management and Its Impact on Profitability of Commercial Banks in Nepal	Reena Maharjan	Demonstrate the impact of credit risk management on profitability of commercial banks in Nepal	CAR is statistically significant and positive; NPL has a significant negative impact on profitability; management efficiency ratio is statistically significant and beneficial; credit to deposit ratio has no significant effect on profitability.

2.3 Research Gap

Previous studies on credit management within the Nepalese banking sector have provided valuable insights but also revealed several limitations. The findings from these studies have been somewhat limited due to the scope and methodologies employed, highlighting the need for more extensive testing and adjustment of necessary variables to draw more conclusive results. For instance, Joshi's study on credit management in Nepalese commercial banks was unable to present a comprehensive picture of the sector's credit management practices.

The earlier research primarily focused on analyzing the effects of credit management on various commercial banks without delving deeply into the systemic issues and best practices that could be universally applied across the sector. Additionally, there has been a lack of extensive research specifically addressing the credit management practices within the Nepalese banking context, particularly in the wake of recent economic and regulatory changes.

Given the critical role of credit management in sustaining the viability and performance of banking businesses, it is imperative to understand its relationship with overall banking performance comprehensively. This study aims to bridge the identified gaps by providing a thorough analysis of credit management practices among Nepalese commercial banks. By utilizing five years of data and focusing on secondary data sources, the study seeks to update and validate the findings of previous research, accounting for the significant changes that have occurred in the Nepalese banking sector. This study not only addresses the weaknesses and limitations of earlier studies but also contributes to creating a better understanding of effective credit management practices that can foster a more stable and efficient banking environment in Nepal.

CHAPTER- III

RESEARCH METHODOLOGY

Research simply means searching again and again to discover truth. It is a systematic activity to achieve truth or finding solution to a problem. "Research methods are the particular strategies researchers use to collect the evidence necessary for building and testing theories" (Frey, Botan, Friedman, & Kreps, 1992). It is a process of a systematic and in-depth study or research of any particular topic, subject or area of investigation backed by the collection, compilation, presentation and interpretation of relevant details or data. Methodology is the research method used to test the hypothesis. So the research methodology refers to the overall research process, which a researcher conducts during his/her study. "The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find the truth which is hidden and which has not been discovered at yet" (Kothari, 2007).

The proposed study is an applied research as existing theories and concepts is applied to fulfill the objectives of the research. This study is conducted by collecting, evaluating, verifying and synthesizing past evidences systematically and objectively to reach a conclusion regarding the credit management of selected commercial banks.

The basic framework of this study is descriptive as well as casual comparative design. In order to reach and accomplish the objectives of this study, literature review, data collection and data analysis activities are carried out during the study period. For this purpose, this chapter aims to present and reflect the methods and techniques used to accomplish the objectives of the study. The study has used analytical, descriptive and cause and effect design methods with the help of appropriate statistical and financial tools.

3.1 Research Design

Research design is an overall framework for the activities to be undertaken during the course of study. It is plan and the procedure for research that span the designs from broad assumptions to detailed methods of data collection and analysis (Creswell, 2011). Research design serves as a framework for the study, guides the collection and analysis of the data, the research instruments to be utilized and the sampling plan to be followed

(Wolf & Pant, 1999). Qualitative research is non-positivist approach of research or the social constructive worldview which deals with multiple realities based on subjectivity of the research whereas quantitative research is positivist approach of research that deals with single reality based on the objectivity of the research. Quantitative research is a means for testing objective theories by examining the relationship among variables (Creswell, 2011). This study is based on recent historical data of the selected bank. Mostly, secondary data and information were collected, evaluated, verified and synthesized to reach a conclusion from the study. To achieve the objective of this study different journals, articles, previous thesis, books, annual reports of different sampled bank for different fiscal years, NRB Directives, banking and financial statistics report published by NRB and other and other relevant literature were collected and studied. In conclusion, as a part of quantitative research design the ongoing study used descriptive as well as casual comparative research design to fulfill the objectives of the study.

3.2 Population and Sample

Population refers to the group of people, events, or things of interest that the researcher wishes to investigate (Wolf & Pant, 2007). Currently, there are altogether 20 commercial banks (NRB, Mid-April 2024) functioning all over the country which are the population for this research. Among them, this study comprises only three commercial banks namely; Laxmi Bank Limited Ltd, Sidhartha Bank Limited and Prime Commercial Bank Limited were selected as a sample by using random sampling method for this study. Further 10 years data (FY 2013/14 to FY 2022/23) of the sampled commercial banks were collected and studied to fulfill the objectives of the study.

3.3 Sources of Data

Basically, this study is based on 10 years secondary data taken from the sampled commercial banks. All the relevant secondary data are extracted from published annual reports by the sampled commercial bank, published articles, previous thesis, journals, reports, books, relevant documents, newspaper, and other related studies etc.

3.4 Instrumentation of Data

Data collection is a process of preparing and reviewing data to obtain information for research specific purpose. The data collection steps include setting the boundaries for the study, collecting information through questionnaires, observations and interviews,

documents, and visual materials as well as establishing the protocol for recording information (Creswell, 2011).

Instrumentation involves using tools and methods to analyze data and derive insights. Before starting data analysis, the collected data must be prepared by organizing and cleaning it, checking for missing values or outliers, and ensuring consistency and integrity. This study focuses on quantitative analysis using published financial statements from sampled banks' annual reports, obtained from websites or directly from the banks.

3.5 Analysis of Data

Data analysis is the process of examining, cleaning, transforming, and modeling data to discover useful information, draw conclusions, and support decision-making. Data analysis can be quantitative (numerical data) or qualitative (non-numerical data) and is used across various fields such as business, healthcare, social sciences, and more. The ongoing study is quantitative in nature. After the collection of the data from the secondary sources the next task is to analyze the data. During the course of the study, various financial, mathematical as well as statistical tools have been used to make the analysis more convenience, reliable and authentic to accomplish the objectives of the study. Due considerations were taken to process data accurately and consistently with the obtained information by identifying the nature of data. The Excel Sheet program and SPSS 26 was used for descriptive analysis and inferential analysis as a tools for data analysis. For the achievement of study objectives the analysis tools include descriptive analysis (mean and standard deviation), correlation analysis and multiple regression analysis were used in the study. The secondary data is refined and standardized for easy analysis and comparison, managed in MS Excel, and analyzed using SPSS version 26. Details of results and analysis were presented in the upcoming chapter. The following are the tools used for calculation and analysis.

3.5.1 Financial Tools

Financial tools are used to examine the financial strength and weakness of the bank. In this study, following financial tools are used:

- Loan Classification and Provisioning
- Liquidity Ratio

- Investment Portfolio and Policy

3.5.2 Statistical Tools

Several types of statistical tools were employed to examine the financial data of Siddhartha Bank Limited (SBL), Laxmi Bank Limited (LBL) and Prime Commercial Bank Limited (PCBL). Some of the statistical tools that are used for the purpose of this study are presented below;

- **Arithmetic Mean**

Most of the time when we refer to the “average” of something, we are talking about its arithmetic mean. To find out the arithmetic mean, we sum the values and divide by the number of observations. The mean value in the study were calculated using SPSS 26 program. The mean can be calculated as;

$$\bar{x} = \Sigma X/n$$

Where,

$$\bar{x} = \text{Mean}$$

$$\Sigma x = \text{Sum of values of all observation}$$

$$n = \text{number of elements in the sample}$$

- **Standard Deviation**

The standard deviation is the square root of the average of the squared distances of the observations from the mean. It enables us to determine, with a great accuracy, where the values of a frequency distribution are located in relation to the mean. The standard deviation value in the study were calculated using SPSS 26 program. To compute the sample standard deviation, we use the following formula;

$$S.D. = \sqrt{(\Sigma(x - \bar{x})^2)/n}$$

Where,

S.D. = standard deviation

x = value of each of the n observation

\bar{x} = mean of the sample

n = number of observations in the sample minus 1

- **Karl Pearson's Correlation Coefficient**

The Karl Pearson's correlation coefficient is one of the widely used mathematical methods of calculating the correlation or relationship between two different variables. This method summaries in one figure the degree of relationship as well as direction. The

mean value in the study were calculated using SPSS 26 program. It is simply denoted by "r" and it can be calculated by using the following formula;

$$r = \frac{\Sigma XY - (\Sigma X)(\Sigma Y)}{N \sqrt{\{\Sigma X^2 - (\Sigma X)^2\} \{\Sigma Y^2 - (\Sigma Y)^2\}}}$$

- **Regression Analysis**

Regression analysis is a statistical method used to examine the relationship between a dependent variable and one or more independent variables. It helps in understanding how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. The study follow multiple regression analysis. For multiple linear regression:

$$Y = a + b_1X_1 + b_2X_2 + \dots + b_nX_n + \epsilon$$

Y: Dependent variable

X₁, X₂, ..., X_n: Independent variables

a: Intercept

b₁, b₂, ..., b_n: Coefficients

ε: Error term

Particularly in the study the regression equation is applied as

Y = Net Profit

X₁ = Weighted Average Interest Rate Spread (WAIRS)

X₂ = Cash Reserve Ratio (CRR)

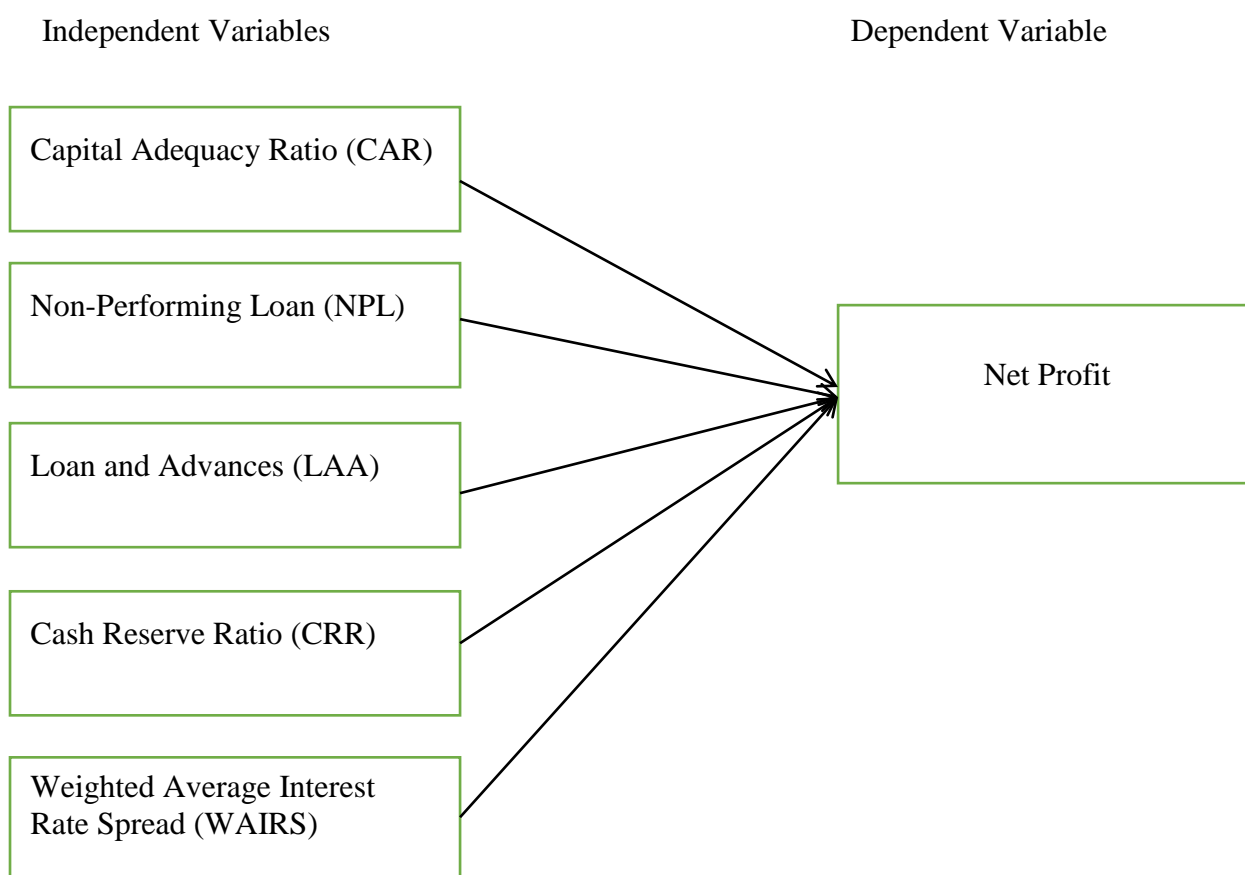
X₃ = Loan and Advances (LAA)

X₄ = Capital Adequacy Ratio (CAR)

X₅ = Non-Performing Loan (NPL)

3.6 Research Framework and Variable Definition

The conceptual framework is developed so that it serves as a foundation on which the entire study is based. This is a self-made model based on the assumptions that all selected variables have impact on the credit management of selected commercial banks. The below figure 2.1 depicts the conceptual framework forwarded by literature review.



(Source: Humagain 2023)

Figure 1 Research Framework

Variables Definition

Dependent Variable: A dependent variable, also known as the outcome or response variable, is the variable being tested and measured in an experiment or analysis. It is the variable that researchers are interested in understanding or predicting and is expected to change as a result of changes in the independent variable(s).

Net Profit: Net profit, also known as net income or net earnings, is the remaining amount after all expenses are deducted from a company's total revenue. It reflects the actual profit

generated during a specific period and serves as a key indicator of the company's financial health and performance.

Independent Variables:

An independent variable, also known as a predictor or explanatory variable, is the variable that is manipulated or controlled in an experiment to observe its effect on the dependent variable. It is the presumed cause in a cause-and-effect relationship and is used to explain variations in the dependent variable.

Capital Adequacy Ratio (CAR): The Capital Adequacy Ratio (CAR) is a fundamental financial measure used to evaluate a bank's capacity to absorb potential losses and sustain solvency. It serves as a crucial regulatory requirement enforced by financial authorities, including central banks, aimed at securing the stability of the banking sector and safeguarding depositor funds. By establishing minimum capital standards, regulators ensure that banks maintain adequate capital reserves in proportion to the risks they assume through their lending and investment activities.

Non-Performing Loan (NPL): A Non-Performing Loan (NPL) refers to a loan that is in default or is close to being in default. Specifically, it typically means that the borrower has failed to make scheduled payments of principal or interest for a specified period, usually 90 days or more. NPLs are a concern for financial institutions as they indicate potential credit risk and can adversely affect the bank's profitability and financial health.

Loan and Advances (LAA): Loans and advances, often referred to simply as loans, are financial instruments through which banks and financial institutions provide funds to borrowers, typically individuals, businesses, or governments. These funds are extended for a specific period and are expected to be repaid with interest over time.

Cash Reserve Ratio (CRR): The Cash Reserve Ratio (CRR) is a regulatory requirement set by central banks to maintain the liquidity and stability of the banking system. It mandates that commercial banks hold a specified percentage of their total deposits as reserves, either in cash or as deposits with the central bank. This ratio is a key monetary policy tool used to control the money supply, manage inflation, and regulate the lending capacity of banks within the economy.

Weighted Average Interest Rate Spread (WAIRS): The Weighted Average Interest Rate Spread (WAIRS) is a measure used in finance to evaluate the difference between the average interest rates on assets and liabilities, weighted by their respective amounts. This spread provides insight into a financial institution's profitability, particularly in terms of its interest-earning activities.

CHAPTER- IV

RESULTS AND DISCUSSION

An essential step in the research process is the presentation and analysis of data. This chapter's primary goal is to use interpretation to transform raw data into information that can be understood. It involves tabulating the data, presenting it in an aesthetically pleasing manner, and interpreting it using a variety of statistical methods based on reputable and genuine sources. One of the most crucial elements created to support the efficient operation of banks and their administration is credit management. The official way that commercial banks communicate their financial aims and objectives for a certain time period is via credit management. The most fundamental metric for figuring out profit is credit. The study's primary goal is to evaluate the credit management practices of certain commercial banks. This chapter will go over the many facets of credit management and how they are really implemented. In order to achieve the study's stated goals, it will examine the data in this regard utilizing a variety of financial and statistical instruments. It also contrasts the information between a few chosen banks.

4.1 Financial Status of Selected Nepalese Commercial Banks

Financial analysis assists in identifying the major financial strengths and weaknesses of the firm. It indicates whether a company has enough cash and highly liquid assets to meet its obligations ability to utilize properly their available resources. Financial analysis can also be used to assess the company's liability as an ongoing enterprise and determine whether a satisfactory return is being earned for the risks. Thus it is necessary to find out the comparative financial condition of the banks in terms of credit practices carried by those banks. For research purpose, financial condition of selected banks in terms of credit practices, credit efficiency and comparative credit position has been analyzed.

Credit practices show the lending policies and practices adopted by the selected commercial banks during the study period. It measures the ability of the organization in terms of credit practices by using historical financial data.

4.1.1 Total loans to deposit ratio

The lending volume of the banks depends on its deposit volume. This ratio is calculated to find out how successfully the banks are utilizing their deposits on loan and advances for profit generating activities. Greater ratio indicates the better utilization of total deposits and vice versa. The ratio of total loans to deposit ratios are presented in the table below:

Table 3

Total loans and advances to Total deposit

FY/Bank	LBL	SBL	PCBL
2013/14	77.43	83.55	75.56
2014/15	75.50	79.02	81.76
2015/16	78.91	83.04	81.63
2016/17	83.81	87.02	85.00
2017/18	88.90	88.40	89.12
2018/19	93.79	86.08	87.53
2019/20	95.30	89.65	89.15
2020/21	91.53	89.04	88.97
2021/22	94.66	90.60	89.23
2022/23	95.12	96.08	93.65
Mean	87.50	87.25	86.16
SD	7.89	4.71	5.23

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

The above table 3 shows that the ratio of total loan and advances to total deposit of the selected commercial banks for the selected study periods. Based on the comparison of average data of selected period, the Laxmi Bank Limited (LBL) has the highest value total loans and advances to total deposit i.e. 87.50 with standard deviation of 7.89 whereas Prime Commercial Bank Limited (PCBL) observed the lowest ratio of 86.16 with standard deviation of 5.23 among three commercial banks. From the mean point of view, SBL has maintained higher loan & advances to total deposit among three commercial banks indicate that SBL seems to be strong to mobilize its total deposit as loan & advances. However higher ratio does not mean it is always better from the point of liquidity. All banks are capable to use more than 50% of deposit on loan and advances

indicate that maintaining this level helps to make consistency on the profitability of the banks.

4.1.2 Interest income to loans & advances

Interest is the main sources of income of the commercial banks. The high volume of interest income is indicator of good performance of lending activities. The interest income to loans and advances of selected commercial banks for the periods is presented in the table below:

Table 4

Interest income to loan & advances (%)

FY/Bank	LBL	SBL	PCBL
2013/14	10.34	11.53	12.47
2014/15	9.34	10.40	10.17
2015/16	7.83	8.49	9.61
2016/17	7.18	6.89	8.46
2017/18	8.52	9.12	8.63
2018/19	10.95	10.86	11.51
2019/20	11.72	11.14	12.16
2020/21	11.06	11.14	10.05
2021/22	8.50	8.18	9.17
2022/23	9.64	9.85	10.79
Mean	9.51	9.76	10.30
SD	1.50	1.54	1.41

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

Table 4 shows the ratio of interest income to loan and advances of the selected commercial banks over the study period. Interest income to loan and advances ratio of LBL ranges from the highest of 11.72 in FY 2019/20 and to the lowest of 7.18 in FY 2016/17. Interest income to loan and advances ratio of SBL ranges from the highest of 11.53 in FY 2013/14 and to the lowest of 6.89 in FY 2016/17. Interest income to loan and advances ratio of PCBL ranges from the highest of 12.47 in FY 2013/14 and to the lowest of 8.46 in FY 2016/17. Among three commercial banks, LBL have the lowest mean of interest income to loan and the advances of 9.51 with SD of 1.50 and PCBL have highest

mean of 10.30 with SD of 1.41. Based on the mean ratio of interest income to loan and advances ratio, PCBL has best performance.

4.1.3 Non-Performing Loans to Total Loan and Advances Ratio

NRB has directed all the commercial banks to create loan loss provision against the doubtful and bad debts. The below table shows the percentage of non-performing loan to total loan and advances.

Table 5

Non-performing loan to total loan and advances (in %)

FY/Bank	LBL	SBL	PCBL
2013/14	1.51	2.39	2.23
2014/15	1.15	2.75	2.94
2015/16	1.30	1.80	3.42
2016/17	0.80	1.47	3.34
2017/18	0.93	1.30	3.45
2018/19	1.29	1.09	0.85
2019/20	1.11	0.75	1.00
2020/21	1.04	1.38	1.48
2021/22	0.75	1.00	0.99
2022/23	0.89	1.07	1.77
Mean	1.08	1.50	2.15
SD	0.24	0.64	1.07

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

The above table 5 shows the Non- performing loan to total loan and advance over the study period of 10 years. The mean ratio of PCBL is highest i.e. 2.15 and LBL has lowest ratio of 1.08 whereas SBL have mean ratio of 1.50 based on 10 years data. Data of all the selected commercial bank are in fluctuating trend during the study period. From the FY 2020/21 the yearly ratio of LBL is lower than the mean ration, from the FY 2016/17, the yearly ratio of SBL is lower than its 10 year average whereas from 2018/19, the yearly ratio of PCBL is lower than its 10 year average. Based on the non-performing loan to total loan and advances indicator; LBL has the lowest ratio among three commercial bank

indicator LBL is best performer as compared to SBL and PCBL. Banking sector is seriously affected by the non-performing loan. All selected banks are not far from this above fact. If non-performing loan increases, the overall banking business will be affected. So provisioned amount will increase and profit will decrease. So, it is suggested that all banks (PCBL, SBL & LBL) should be sincere and serious while granting loan and to do effective follow up for recovery of non-performing loan.

4.1.4 Net Profit to Total Income Ratio

The net profit to total income ratio is a financial metric that indicates the proportion of net profit a selected commercial bank generates in relation to its total income. It is a profitability ratio that helps assess the overall efficiency and profitability of a business. Investors and analysts often use this ratio to evaluate a company's financial performance and compare it with industry benchmarks.

Table 6

Net Profit to Total Income Ratio (in %)

FY/Bank	LBL	SBL	PCBL
2013/14	33.08	14.40	15.88
2014/15	38.28	19.72	16.49
2015/16	28.78	19.83	19.14
2016/17	36.62	26.28	25.02
2017/18	42.89	18.61	22.84
2018/19	35.79	16.70	18.01
2019/20	36.93	15.49	20.18
2020/21	30.64	12.48	16.72
2021/22	30.46	15.77	20.42
2022/23	28.41	12.53	13.99
Mean	34.19	17.18	18.87
SD	4.70	4.15	3.36

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

The above table 6 shows the net profit to total income ratio over the study period of 10 years. The mean ratio of LBL is highest i.e. 34.19 with standard deviation of 4.70 and SBL has lowest ratio of 17.18 with standard deviation of 4.15 whereas PCBL have mean

ratio of 18.87 based on 10 years data. Data of all the selected commercial bank are in fluctuating trend during the study period. This ratio provides insights into how effectively a company is able to convert its total income into net profit. A higher ratio indicates that a larger portion of the total income is being retained as profit, which is generally favorable. Based on this ratio the performance of LBL is best as compared with SBL and PCBL. Conversely, a lower ratio suggests that a significant portion of the income is being consumed by expenses and taxes, potentially impacting overall profitability.

4.1.5 Interest Expenses to Total Deposit & Borrowing

This ratio measures the percentage of total interest paid against total deposit and borrowing. A high ratio indicates higher interest expenses on total deposit. The income of commercial banks dependent upon its ability to generate cheaper fund.

Table 7

Interest Expenses to Total Deposit & Borrowing (in %)

FY/Bank	LBL	SBL	PCBL
2013/14	6.14	5.97	6.05
2014/15	6.08	5.28	5.32
2015/16	4.83	4.63	4.52
2016/17	4.25	3.04	4.07
2017/18	6.03	5.57	4.98
2018/19	7.31	7.33	7.25
2019/20	7.33	7.32	7.23
2020/21	6.99	7.28	5.85
2021/22	5.20	5.54	5.03
2022/23	6.86	6.73	7.28
Mean	6.10	5.87	5.76
SD	1.06	1.38	1.18

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

Above table 7 shows the ratio of interest expenses to total deposit and borrowing over the 10 year study period. The Ratio of LBL ranges highest 7.33 in the FY 2019/20 and lowest 4.25 in FY 2016/17, average ratio of LBL is 6.10. Ratio of SBL ranges highest from 7.33 in the fiscal year 2018/19 to lowest 3.04 in FY 2016/17 whereas ratio of PCBL ranges

highest from 7.28 in fiscal year 2022/23 to lowest 4.07 in FY 2016/17. The analysis of average data shows that mean value of interest expenses to total deposit & borrowing of LBL is 6.10 with SD of 1.06, SBL is 5.87 with SD of 1.38 whereas PCBL is 5.76 with SD of 1.18 indicate that PCBL has lowest mean value of 5.76 with SD 1.18 and LBL has highest mean value of 6.10 with SD 1.06. The higher ratio indicates the increased cost of deposit. Based on the analysis of mean of interest expenses to total deposit ratio it can be concluded that PCBL is able to collect the cheaper deposit than that of LBL and SBL.

4.1.6 Total Operating Expenses to Total Expense Ratio

The total operating expenses to total expense ratio is a financial indicator that provides insights into the composition of a company's expenses by comparing its total operating expenses to its overall total expenses. This ratio helps assess the proportion of operating expenses relative to the total expenses incurred by the business.

Table 8

Total Operating Expenses to Total Expense Ratio

FY/Bank	LBL	SBL	PCBL
2013/14	1.60	6.94	1.00
2014/15	1.56	5.93	0.96
2015/16	1.48	5.23	0.92
2016/17	1.38	4.09	0.85
2017/18	1.44	5.85	0.74
2018/19	1.71	1.52	1.03
2019/20	1.97	1.84	1.29
2020/21	1.79	2.03	1.16
2021/22	1.74	1.62	1.25
2022/23	1.61	1.59	1.18
Mean	1.63	3.66	1.04
SD	0.18	2.17	0.18

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

Above table 8 shows the ratio of total operating expenses to total expenses ratio over the 10 year study period. The Ratio of LBL ranges highest from 1.97 in the FY 2019/20 to

lowest 1.38 in FY 2016/17. Ratio of SBL ranges from highest 6.94 in the fiscal year 2013/14 to lowest 1.52 in FY 2018/19 whereas ratio of PCBL ranges from highest 1.29 in FY 2019/20 to lowest 0.74 in FY 2017/18. The mean ratio of total operating expenses to total expenses of LBL is 1.63 with standard deviation of 0.18, SBL is 3.66 with standard deviation of 3.66 whereas PCBL is 1.08 with standard deviation of 0.18. This ratio provides a view of the significance of operating expenses within the total expense structure. A higher ratio suggests that a larger portion of the company's expenses is related to its day-to-day operations, which could be important for businesses where operational efficiency is a key consideration. On the other hand, a lower ratio indicates that a smaller proportion of total expenses is attributed to operating costs, which might be the case for businesses with significant non-operating expenses. Investors and analysts may use this ratio to understand the cost structure of a company, evaluate operational efficiency, and make comparisons with industry benchmarks or competitors. Based on the average analysis SBL has highest ratio and PCL has lowest ratio.

4.1.7 Price Earning Ratio

The Price-Earnings Ratio (P/E ratio) is a financial indicator used to evaluate a company's current stock price relative to its earnings per share (EPS). It's calculated by dividing the market price per share by the earnings per share. It's important to note that while the P/E ratio is widely used, it should not be used in isolation for investment decisions. Other factors such as the company's growth prospects, industry trends, management quality, and economic conditions should also be considered. A high P/E ratio can indicate that investors expect higher earnings growth in the future, while a low P/E ratio may suggest either that a company is currently undervalued or that its future earnings prospects are not favorable. However, interpreting P/E ratios requires context and comparison with industry peers and historical values. Different industries may have different typical P/E ranges.

Table 9

Price Earning Ratio

FY/Bank	LBL	SBL	PCBL
2013/14	12.47	10.07	17.47
2014/15	22.55	20.97	27.80
2015/16	20.60	17.95	19.16
2016/17	32.26	20.93	24.77
2017/18	20.38	18.24	18.14
2018/19	17.96	11.34	13.38
2019/20	12.68	13.79	11.78
2020/21	14.53	15.14	15.84
2021/22	26.81	19.35	23.57
2022/23	15.19	13.07	17.74
Mean	19.54	16.09	18.97
SD	6.40	3.94	5.06

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

Above table 9 shows the ratio of price and earning over the 10 year study period. Among the average ratio of 10 years, the ratio of LBL is highest i.e. 19.54 (SD 6.40) whereas among three commercial banks SBL has lowest average value of 16.09 (SD 3.94) and PCBL has the value of 18.97 (SD 5.06). Indicate that LBL has higher average value of 19.54 implies that investors expect higher earnings growth in the future, whereas SBL has lowest PE value of 16.09 implies that either a company is currently undervalued or that its future earnings prospects are not favorable.

4.1.8 Employees Expenses to Total Operating expenses

Employee Expenses are a part of Total Operating Expenses (OpEx). OpEx refers to the ongoing costs associated with running a business on a day-to-day basis. This includes a variety of expense categories, and employee expenses are typically the largest or one of the largest chunks of OpEx. Employee Expenses includes salaries, wages, bonuses, payroll taxes, and benefits like health insurance, paid time off, and retirement contributions. Other Operating Expenses will be rent, utilities, office supplies, equipment, marketing and advertising, research and development, and professional fees. To calculate the portion of Employee Expenses relative to Total Operating Expenses, we can divide the total employee expenses by the total operating expenses. This will give us a percentage representing how much of OpEx goes towards employee costs.

Table 10

Employees Expenses to Total Operating expenses

FY/Bank	LBL	SBL	PCBL
2013/14	46.30	59.10	48.74
2014/15	47.46	59.80	45.22
2015/16	45.84	59.90	41.48
2016/17	47.33	60.01	36.78
2017/18	45.93	60.24	34.45
2018/19	45.21	60.64	52.96
2019/20	46.91	62.19	55.49
2020/21	48.02	63.88	52.05
2021/22	54.23	63.87	57.34
2022/23	52.49	62.48	60.57
Mean	47.97	61.21	48.51
SD	2.99	1.75	8.82

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

The ratio of employees' expenses to total operating expenses is a financial metric used to assess the portion of operating expenses attributable to employee-related costs within a business. It's calculated by dividing the total expenses related to employees (such as salaries, wages, benefits, training costs, etc.) by the total operating expenses incurred by the company over a specific period. Expressing the ratio as a percentage helps in understanding the proportion of operating expenses dedicated to employee-related costs in comparison to other operational expenses.

Among three banks employees expenses to total operating expenses of SBL is higher i.e. 61.21 with SD of 1.75 whereas LBL has the lowest ratio of 47.97 with SD of 2.99 and PCBL has 48.51 with SD of 8.82. A higher percentage indicates that a significant portion of the company's operating expenses is attributed to its workforce, which may be due to factors such as labor-intensive operations, high salaries, or extensive benefit packages. Conversely, a lower percentage suggests that the company's operations may be less dependent on human resources or that it may have implemented cost-saving measures related to its workforce.

4.1.9 Net Profit to Loan and Advances

The ratio of net profit to loans and advances, often referred to as the "Return on Loans and Advances," measures the profitability of a company's loans and advances portfolio. It indicates how efficiently a company is generating profit from the funds it has lent out. Net Profit: This represents the company's total profit after deducting all expenses, including taxes and interest payments, from its total revenue. Loans and Advances: This refers to the total amount of money the company has lent out to borrowers, including loans, advances, and other credit facilities provided by the company.

Table 11

Net Profit to Loan and Advances

FY/Bank	LBL	SBL	PCBL
2013/14	2.28	2.03	2.19
2014/15	2.20	2.50	1.99
2015/16	1.52	2.06	2.23
2016/17	1.88	2.22	2.72
2017/18	2.16	2.05	2.50
2018/19	2.08	2.17	2.43
2019/20	2.30	2.06	2.86
2020/21	1.69	1.65	1.95
2021/22	1.59	1.70	2.29
2022/23	1.25	1.54	1.76
Mean	1.90	2.00	2.29
SD	0.37	0.29	0.35

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

In the above table 11, among three commercial banks, the ratio of LBL is lowest i.e. 1.90 with SD 0.37 whereas net profit to loan and advances of PCBL is highest i.e. 2.29 with SD of 0.35 and SBL has net profit to loan and advances ratio of 2 with SD of 0.29. Expressing the ratio as a percentage helps in understanding the return generated by the company's loans and advances relative to the amount of funds it has deployed in this area. A higher percentage indicates that the company is effectively generating profit from its lending activities. Conversely, a lower percentage may suggest that the company is facing

challenges in generating profit from its loans and advances portfolio, possibly due to factors such as high default rates, low interest margins, or inefficient loan management practices.

4.1.10 Net Profit to Total Assets

Net Profit to Total Assets is a financial ratio used to measure a company's profitability in relation to its total assets. It indicates how efficiently a company is using its assets to generate profit. Net Profit is the company's total revenue minus total expenses over a specific period. Total Assets represents all assets owned by the company, including both current and non-current assets. Return on assets is a metric that indicates a company's profitability in relation to its total assets. ROA can be used by management, analysts, and investors to determine whether a company uses its assets efficiently to generate a profit.

Table 12

Net Profit to Total Assets

FY/Bank	LBL	SBL	PCBL
2013/14	1.50	1.43	1.47
2014/15	1.47	1.74	1.46
2015/16	1.04	1.51	1.63
2016/17	1.35	1.69	2.05
2017/18	1.61	1.53	1.89
2018/19	1.55	1.59	1.82
2019/20	1.66	1.49	2.15
2020/21	1.20	1.26	1.48
2021/22	1.12	1.25	1.72
2022/23	0.93	1.10	1.33
Mean	1.34	1.46	1.70
SD	0.26	0.20	0.27

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

In the above table 12, among three commercial banks, the mean ratio of net profit to total assets of LBL is lowest i.e. 1.34 with SD 0.26 whereas net profit to total assets ratio of PCBL is highest i.e. 1.70 with SD of 0.27 and SBL has net profit to total assets ratio of 1.46 with SD of 0.20. A higher ratio indicates that the company is generating more profit relative to its total assets, which is generally favorable. Conversely, a lower ratio suggests that the company may not be utilizing its assets effectively to generate profits.

4.1.11 Capital Adequacy Ratio

The Capital Adequacy Ratio set standards for banks by looking at a bank's ability to pay liabilities, and respond to credit risks and operational risks. A bank that has a good CAR has enough capital to absorb potential losses. The Capital Adequacy Ratio (CAR) is a measure of a bank's capital in relation to its risk-weighted assets. It's a regulatory requirement designed to ensure that banks have enough capital to absorb potential losses arising from their lending and investment activities. CAR is crucial for assessing a bank's financial strength and ability to withstand adverse events. Capital typically includes Tier 1 capital (core capital like equity capital and disclosed reserves) and Tier 2 capital (subordinated debt, hybrid instruments, and other less secure forms of capital). Risk-weighted assets represent the total assets of a bank, weighted according to their riskiness. Assets like loans to governments and highly-rated corporations have lower risk weights, while loans to individuals and riskier assets have higher risk weights. Regulatory authorities set minimum capital adequacy requirements, which banks must meet to ensure their stability and protect depositors.

Table 13

Capital Adequacy Ratio

FY/Bank	LBL	SBL	PCBL
2013/14	12.23	11.80	12.74
2014/15	11.91	11.39	12.40
2015/16	10.81	11.10	12.16
2016/17	11.15	11.25	11.60
2017/18	13.58	12.74	13.28
2018/19	12.43	12.12	12.24
2019/20	11.83	12.70	12.76
2020/21	13.02	13.17	13.84
2021/22	12.15	13.36	14.82
2022/23	12.75	13.00	13.12
Mean	12.19	12.26	12.90
SD	0.83	0.84	0.93

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

In the above table 13 among three commercial banks, the mean ratio of capital adequacy of LBL is lowest i.e. 12.19 with SD 0.83 whereas capital adequacy ratio of PCBL is highest i.e. 12.90 with SD of 0.93 and SBL has capital adequacy ratio of 12.26 with SD of 0.84. Banks with higher CARs are generally considered safer because they have more capital to absorb potential losses and vice versa. From the prospective of capital adequacy ratio PCBL is in better position.

4.1.12 Weighted Average Interest Rate

The weighted average interest rate is an average that is adjusted to reflect the contribution of each loan to the total debt. The weighted average interest rate is a measure used to calculate the average interest rate on a group of loans or investments. The weighted average multiplies each loan's interest rate by the loan balance and divides the sum by the total loan balance. It takes into account both the interest rate and the relative size (weight) of each individual loan or investment within the group. The weighted average interest rate provides a more accurate measure of the effective interest rate across the group because it considers the size of each loan or investment. This is particularly useful when analyzing portfolios with loans or investments of varying sizes and interest rates.

Table 14

Weighted Average Interest Rate Spread

FY/Bank	LBL	SBL	PCBL
2013/14	4.20	4.39	3.50
2014/15	3.26	4.65	2.94
2015/16	3.00	3.86	3.42
2016/17	2.91	4.16	3.34
2017/18	2.49	3.49	3.45
2018/19	1.29	3.53	4.23
2019/20	1.11	3.72	4.32
2020/21	1.04	4.81	4.22
2021/22	0.75	3.70	4.09
2022/23	0.89	4.37	4.37
Mean	2.09	4.07	3.79
SD	1.22	0.47	0.51

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

Overall, the weighted average interest rate is a crucial metric for commercial banks, influencing their profitability, risk management practices, competitive positioning, regulatory compliance, liquidity management, and customer relationships. Banks must carefully monitor and manage their interest rate exposure to navigate changing market conditions and achieve their strategic objectives. In the above table 4.12, LBL have lowest weighted average interest rate with SD of 1.22 whereas SBL have highest weighted average interest rate with SD of 0.47 and PCBL have weighted average interest rate of 3.79 with SD of 0.51. For borrowers, a lower weighted average interest rate is generally considered preferable, as it means they can borrow funds at a lower cost, resulting in lower interest payments over the loan term. Lower interest rates make

borrowing more affordable and can stimulate spending and investment, contributing to economic growth. On the other hand, for lenders or investors, a higher weighted average interest rate is typically more desirable. This indicates potentially higher returns on their investments, as they earn interest income at a higher rate. Higher interest rates compensate lenders or investors for the risk associated with lending money and provide a higher yield on their investments. So, whether a lower or higher weighted average interest rate is considered "good" depends on whether you're borrowing or lending/investing as the banks are doing both of the activities.

4.1.13 Base Rate

The Base Rate, also known as the prime rate. It is the interest rate at which a financial institution sets as a reference rate for lending to its best creditworthy customers. It serves as a benchmark for setting interest rates on various financial products such as loans, mortgages, and credit cards. The determinants of base rate are determination of base rate based on existing monetary policy, benchmark, and influences on borrowing cost, impact on saving rate, economic indicator, transparency and stability in the market. The Base Rate plays a significant role in shaping interest rates and overall economic activity. It serves as a crucial tool for monetary policy implementation and financial decision-making.

Table 15

Base Rate

FY/Bank	LBL	SBL	PCBL
2013/14	0.00	10.25	10.08
2014/15	0.00	8.81	8.91
2015/16	7.90	7.87	7.62
2016/17	6.77	6.65	6.93
2017/18	10.33	10.38	10.64
2018/19	11.48	10.57	10.47
2019/20	10.31	9.03	10.03
2020/21	9.23	7.16	8.62
2021/22	7.08	9.45	7.21
2022/23	9.99	9.91	9.99
Mean	7.31	9.01	9.05
SD	4.14	1.38	1.40

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

In investing, base rates might inform decisions about the expected return on an investment before considering market trends or individual company performance. Base rate plays a significant role in assessing the creditworthiness. Base rate serves as a fundamental factor in credit analysis, guiding lending decisions, interest rate setting, and risk management practices in the financial industry. Understanding the relationship between the base rate and credit risk is essential for both lenders and borrowers in managing credit exposure effectively. The base rate simply helps to determine cost of borrowing, credit risk assessment, interest rate sensitivity, lending decision, regulatory compliance and market competition.

Overall, the base rate has far-reaching implications for credit analysis, shaping lending decisions, interest rate dynamics, risk management practices, and regulatory compliance in the financial industry. Understanding the relationship between the base rate and credit risk is essential for lenders, borrowers, and regulators in managing credit exposure effectively. The higher the base rate higher will be the cost of the fund and the lower the base rate lower will be the cost of the fund.

Based on the table above, the mean of base rate of PCBL is highest i.e. 9.05 (SD=1.40), whereas the mean of base rate of LBL is lowest i.e. 7.31 (SD=4.14) and similarly SBL have mean of base rate of 9.01 (SD 1.38). It seems that based in the analysis of base rate the LBL is offering lowest base rate to the market.

4.1.14 Liquidity

The liquidity of financial institutions (FIs) refers to their ability to meet short-term financial obligations without causing significant disruptions to their operations. Liquidity management is the proactive process of ensuring a company has the cash on hand to meet its financial obligations as they come due. It is a critical component of financial performance as it directly impacts a company's working capital. Liquidity is crucial for FIs because they often rely on short-term funding sources to finance their activities, such as deposit withdrawals and maturing debt obligations.

Table 16

Liquidity (CRR)

FY/Bank	LBL	SBL	PCBL
2013/14	12.33	9.60	12.96
2014/15	18.28	17.22	11.18
2015/16	12.59	8.63	10.83
2016/17	7.17	6.00	10.97
2017/18	7.32	8.68	13.27
2018/19	6.57	4.56	11.42
2019/20	5.59	5.03	9.83
2020/21	8.29	3.54	7.25
2021/22	8.29	3.23	7.18
2022/23	4.65	4.06	5.51
Mean	9.11	7.06	10.04
SD	4.13	4.25	2.59

(Source: Annual Reports of SBL, LBL & PCBL, 2013/14 – 2022/23)

Overall, the liquidity position of financial institutions plays a pivotal role in shaping credit practices, affecting lending standards, interest rates, credit availability, terms and conditions, risk appetite, and asset allocation decisions. Understanding the interplay between liquidity dynamics and credit practices is essential for assessing the resilience and stability of financial systems. Analysis of liquidity data helps to analyzing compliance, liquidity implications, funding costs, risk management considerations, and the regulatory environment to assess the impact on the financial institution's operations and performance. The Cash Reserve Ratio, refers to the portion of deposits that banks are required to keep with the central bank. The decision to raise or lower the CRR depends on the economic objectives of the central bank and the prevailing economic conditions. In the table above table the mean value of liquidity (CRR) of Prime Commercial bank Ltd is higher i.e. 10.04 (SD 2.59) whereas the mean value of liquidity (CRR) of Siddhartha Bank Limited is lower i.e. 7.06 (SD 4.25), and the mean value of liquidity for SBL is 9.11 (SD 7.06). Whether a higher or lower CRR is better depends on the specific economic conditions and policy objectives. In times of high inflation, a higher CRR might be preferable to control inflationary pressures. Conversely, in times of economic slowdown or recession, a lower CRR might be more appropriate to stimulate economic activity.

4.2 Relationship of Loans and Net Profit

The organization's net profit volume is directly impacted by effective loans. It's said to be the most significant earnings indicator. While low loan levels are an indication of worse

profit levels, they aid in raising the company's net profit volume. Reviewing the relationship between loans and net profit makes sense. The proposed research involves averaging net profit and loans throughout a ten-year study period to create a variable representing profit and loans. The person's correlation coefficient was used to examine the data once the variables for loans and profit were obtained. The correlation coefficient between profit and loans throughout the study period is shown in the following table.

Table 17

Relationship between loan and advance and net profit in LBL: Correlation Matrix

Particulars		LOANS	NET PROFIT
LOANS	Person correlation	1	0.8918
	N	10	10
Net profit	Person correlation	0.8918	1
	N	10	10

The correlation coefficient between loans and net profit throughout the study period is shown in table 4.16. Person's correlation coefficient was computed and found to be 0.9779, indicating a strong positive association. It suggests that there was a strong correlation between loans and net profit. In other words, although a rise in loans lowers a company's net profit, a rise in loans contributes to it. Similarly, the coefficient of determination was found to be 0.9779, meaning that loans have determined 96.79% of the overall change in profit. Loans have a significant impact on the SBL's net earnings. The SBL's net profit is directly impacted by efficient loan management. In the case of SBL, there is no exemption. It seems sense to examine how different aspects of working affect net profit.

Table 18

Relationship between loan and advance and net profit in SBL: Correlation Matrix

Particulars		Loans	Net profit
Loans	Person correlation	1	0.9779
	N	10	10
Net profit	Person correlation	0.9779	1
	N	10	10

The correlation coefficient between loans and net profit throughout the study period is shown in table 4.16. Person's correlation coefficient was computed and found to be 0.9779, indicating a strong positive association. It suggests that there was a strong correlation between loans and net profit. In other words, although a rise in loans lowers a company's net profit, a rise in loans contributes to it. Similarly, the coefficient of determination was found to be 0.9779, meaning that loans have determined 96.79% of the overall change in profit. Loans have a significant impact on the SBL's net earnings. The SBL's net profit is directly impacted by efficient loan management. In the case of SBL, there is no exemption. It seems sense to examine how different aspects of working affect net profit.

Table 19

Relationship between loan and advance and net profit in PCBL: Correlation Matrix

Particulars		Loans	Net profit
Loans	Person correlation	1	0.9556
	N	10	10
Net profit	Person correlation	0.9556	1
	N	10	10

The correlation coefficient between loans and net profit throughout the study period is shown in table 4.17. Person's correlation coefficient was computed and found to be 0.9556, indicating a strong positive association. It suggests that there was a strong correlation between loans and net profit. In other words, although a rise in loans lowers a company's net profit, a rise in loans contributes to it. Similarly, the coefficient of determination was found to be 0.9556, meaning that loans have determined 95.56% of the overall change in profit. Loans have a significant impact on the PCBL's net profit. The PCBL's net profit is directly impacted by efficient loan management. In the case of PCBL, there is no exemption. It seems sense to examine how different aspects of working affect net profit.

4.3 Relationship of Loans & Advances and Non-Performing Loans

The amount of the LBL's loans is directly impacted by non-performing loans. It is thought to be the most significant signal. While a low percentage of non-performing loans indicates improved loan management, it also contributes to increasing the risk involved in

LBL loan management. Reviewing the appraisal of non-performing loans and loan management makes sense. To get non-performing loans and loan variables for research purposes, the non-performing loan and loan management throughout the ten-year study period are averaged. Following the acquisition of loans and non-performing loans, Person's correlation coefficient is used to examine the data. The correlation coefficient between non-performing loans and loans managed throughout the study period is shown in the following table.

Table 20

Relationship between loan and non-performing loans in LBL: Correlation Matrix

Particulars		LOANS	Non-performing loan
LOANS	Pearson correlation	1	0.9461
	N	10	10
Non- performing loan	Person correlation	0.9461	1
	N	10	10

The correlation coefficient between non-performing loans and loans made during the study period is shown in table 4.18. Positive correlation is shown by the computed Person's correlation coefficient, which came out to be 0.9461. It suggests a positive relationship between loans and non-performing loans. This suggests that a rise in loan referrers relative to non-performing loans is a sign of poor loan management. Non-performing loans have had a favorable impact on loan management. In order to have control over non-performing loans, management should implement an effective loan management policy, which helps to reduce the number of non-performing loans.

Table 21

Relationship between loan and non-performing loans in SBL: Correlation Matrix

		LOANS	Non-performing loan
LOANS	Pearson correlation	1	0.7685
	N	10	10
Non- performing loan	Person correlation	0.7685	1
	N	10	10

The correlation coefficient between non-performing loans and loans made during the SBL study period is shown in table 4.19. Positive correlation is shown by the computed Person's correlation coefficient, which came out to be 0.7685. It suggests that loans and non-performing loans at SBL have a favorable relationship. In other words, a rise in loan referrers relative to non-performing loans suggests that SBL is performing improperly in terms of loan management. Non-performing loans have had a favorable impact on loan management. In order to have control over non-performing loans, management should implement an effective loan management policy, which helps to reduce the number of non-performing loans.

Table 22

Relationship between loan and non-performing loans in PCBL: Correlation Matrix

		LOANS	Non-performing loan
LOANS	Person correlation	1	0.2714
	N	10	10
Non-performing loan	Person correlation	0.2714	1
	N	10	10

The correlation coefficient between non-performing loans and loans made during the PCBL research period is shown in table 4.20. Person's correlation coefficient, which was computed and determined to be 0.2714, indicates a weakly positive connection. It suggests a positive relationship between loans and non-performing loans. This suggests that a rise in loan referrers relative to non-performing loans is a sign of poor PCBL loan management. Non-performing loans have had a favorable impact on loan management. In order to have control over non-performing loans, management should implement an effective loan management policy, which helps to reduce the number of non-performing loans.

The correlation coefficient between loan and advances and non-performing loans for the three commercial banks is 0.2714 for Prime Commercial Bank Limited, 0.7685 for Siddhartha Bank Limited, and 0.9461 for Laxmi Bank Limited. It may be inferred from the calculated data that the PCBL has the lowest correlation coefficient, 0.2714. The fact that PCBL seems to have a low percentage of non-performing loans suggests that it is using an efficient and successful loan management approach.

4.4 Discussion

The analysis of the loan and advances to total deposit ratio across the three banks, namely Laxmi Bank Limited (LBL), Siddhartha Bank Limited (SBL), and Prime Commercial Bank Limited (PCBL), reveals a significant aspect of their credit management practices. LBL demonstrates the highest ratio of 0.8750 with a standard deviation (SD) of 7.89%, indicating a strong capacity to mobilize deposits into loans. However, SBL, with a ratio of 0.8725, appears to be more efficient in managing its deposits relative to its loan advances. This suggests that while a higher ratio can indicate robust loan deployment, it might compromise liquidity. Maintaining a balanced ratio is crucial for ensuring consistent profitability and operational stability. The interest income to loan and advances ratio provides insights into the revenue generation efficiency of the banks. LBL has the lowest mean interest income of 9.51% (SD 1.50), whereas PCBL exhibits the highest mean of 10.30% (SD 1.41). This indicates that PCBL outperforms in generating income from its loans and advances, potentially reflecting better interest rate management and loan portfolio quality. The non-performing loan (NPL) ratio is a critical indicator of credit risk management. LBL exhibits the lowest NPL ratio, positioning it as the best performer compared to SBL and PCBL. An increase in NPLs necessitates higher provisions, adversely impacting profitability. Therefore, it is imperative for all banks to implement stringent loan granting and recovery processes to mitigate the risk of non-performing assets.

Evaluating the net profit to total income ratio, LBL demonstrates superior performance compared to SBL and PCBL. A lower ratio often indicates higher expenses and taxes, which can diminish overall profitability. Hence, maintaining a high net profit to total income ratio is essential for sustaining financial health. The analysis of interest expenses reveals that PCBL has the lowest mean value (5.76%, SD 1.18), indicating an ability to attract cheaper deposits. This is advantageous as lower interest expenses enhance profitability by reducing the cost of funds. The ratio of total operating expenses to total expenses highlights operational efficiency. SBL has the highest ratio, suggesting that a significant portion of its expenses is attributed to daily operations. In contrast, PCBL has the lowest ratio, indicating better operational efficiency, which is vital for cost management. The price earnings (PE) ratio analysis shows that LBL has the highest average value (19.54, SD 6.40), suggesting higher investor expectations for future earnings growth. Conversely, SBL's lower PE ratio (16.09, SD 3.94) could imply undervaluation or less favorable future earnings prospects.

PCBL exhibits the highest net profit to loan and advances ratio (2.29%, SD 0.35), suggesting superior profitability in relation to its loan portfolio. LBL, with the lowest ratio (1.90%, SD 0.37), indicates a need for enhancing loan profitability strategies. The net profit to total assets ratio indicates overall asset utilization efficiency. PCBL, with the highest ratio (1.70%, SD 0.27), outperforms its peers, while LBL's lower ratio (1.34%, SD 0.26) suggests potential for improved asset management. Capital adequacy analysis reveals that PCBL has the highest ratio (12.90%, SD 0.93), indicating better capital strength and ability to absorb potential losses. LBL, with the lowest ratio (12.19%, SD 0.83), needs to focus on strengthening its capital base to enhance safety and stability. LBL has the lowest weighted average interest rate (SD 1.22), which is advantageous in terms of cost of borrowing. SBL, with the highest rate (SD 0.47), faces higher borrowing costs, impacting its financial performance.

The effects of seven variables: growth in the country's GDP, financial deepening, inflation rate, dependency burden, number of bank branches, and inflation rates applied to bank deposits. Using individual regression analysis, it was possible to find a significant and positive correlation between the number of branches and bank deposits as well as the growth domestic product, financial deepening, inflation rate, and other factors. Furthermore, the study verified a significant and negative correlation between two variables of dependency burden and interest rates charged to bank customers and bank deposits. The study did find, however, that there is no meaningful connection between bank deposits and interest rates paid to customers (Valahzaghari and Kashfi (2014).

CHAPTER –V

SUMMARY AND CONCLUSION

This is the study's last chapter; it provides a quick overview of the investigation, tries to extract conclusions and results, and makes recommendations and proposals to improve the selected banks' financial standing.

5.1 Summary

Any country's ability to grow depends on the amount of money that is invested and mobilized across the nation in industry, commerce, and business. In fact, significant investment in these profitable areas is what has led to the expansion of the world economy. Any nation that wants to strengthen its social fabric and economy must have a system in place for gathering modest savings and allocating them to productive purposes. In this process, finance is essential to the economic growth of a country, and banks play a key role in providing financial services. The core of the banking industry is the acceptance of deposits as collateral for loans from people, businesses, and even the government. Banks provide credit, make investments in assets, and dispense loans using these resources as well as their own cash. As organizations that oversee financial transactions, banks carry out a variety of financial and commercial tasks that are vital for boosting an economy's expansion. As a result, money is essential to the country's economic growth and development, and banks provide these financial services. Business is based on borrowing money from people, companies, and sometimes the government—that is, taking deposits from them. A bank is a kind of establishment that handles financial transactions. They carry out a number of financial and economic tasks that are necessary to quicken the nation's economic development.

There are now 20 commercial banks in operation in Nepal. Following the government's 1990 adoption of a liberal policy, the number of banks and other financial firms skyrocketed. They have been providing the public with excellent financial services. The battle between banks and financial intuitions is fierce. In specifically, three banks Laxmi Bank Limited, Siddhartha Bank Limited, and Prime Commercial Bank Limited are the subject of this study, which was conducted using the ten-year financial statements of each bank. The goal of the study is to assess the credit management of commercial banks. The

introduction, literature review, research methods, data presentation and analysis, summary, conclusion, and suggestion are the five chapters that make up the study's structure. The primary source of secondary data for this research was published annual reports and other bank publications. Additional relevant data was obtained from the relevant banks, Nepal Rasta Bank, Nepal Stock Exchange, Securities Board of Nepal, and several other websites. Financial and statistical procedures such as correlation coefficient analysis and ratio analysis have been used to examine the data.

5.2 Conclusion

The ongoing study was conducted with three sample commercial bank i.e. Siddhartha Bank Limited, Laxmi Bank Limited and Prime Commercial Bank Limited over the 10 years period. Average loan and advances ratio of LBL, SBL PCBL is 0.8750, 0.8725 and 0.8616. Both banks are capable to use more than 50% of deposit on loan and advances. If maintained this, it help make consistency on the profitability of the banks.

Banking sector is seriously affected by the non-performing loan. Both banks are not far from this above fact. If non-performing loan increases, the overall banking business will be affected. So provision amount will increase and profit will decrease. So, it is suggested that all three banks (SBL, LBL & PCBL) to be sincere while granting loan and to do effective follow up for recovery of non-performing loan. The increment in business i.e. the increment in loan size obviously increase the size of non-performing loan as verified by correlation study between loan and advances and non-performing loan, so the bank should carefully plan to control the chances of getting increment in non-performing loan. Based on the mean ratio of interest income to loan and advances ratio, PCBL has best performance among sample commercial banks. From the study it can be concluded that all banks (PCBL, SBL & LBL) should be sincere and serious while granting loan and to do effective follow up for recovery to minimize and control the non-performing loan. The analysis of total income ratio of selected commercial bank during the study period, shows that the performance of LBL is best as compared with SBL and PCBL. Based on the analysis of mean of interest expenses to total deposit ratio it can be concluded that PCBL is able to collect the cheaper deposit than that of LBL and SBL. Based on the average analysis of average ratio of total operating expenses to total expenses ratio, SBL has highest ratio and PCBL has lowest ratio. The analysis of average price earnings ratio of 3

selected commercial bank over the 10 years period shows that the price earnings ratio of LBL is highest whereas SBL has lowest average value.

The correlation value between loan and advances and net profit of Laxmi Bank Limited $r_{(LBL)} = 0.8918$, Siddhartha Bank Limited $r_{(SBL)} = 0.9779$ & Prime Commercial Bank Limited $r_{(PCBL)} = 0.9556$. Among three commercial bank, the correlation value of $r_{(SBL)}$ is highest, and other two bank also have positive correlation coefficient between loan and advances and net profit, it indicate that there is significant positive relationship between loan and advances and net profit i.e. increasing loans helps to increase the net profit. It can be concluded that effective loans management directly affects to net profit of all the selected bank as all the bank have significant positive correlation between loan & advances and net profit.

The correlation value between loan and advances and non-performing loans of Laxmi Bank Limited $r_{(LBL)} = 0.9461$, Siddhartha Bank Limited $r_{(SBL)} = 0.7685$ & Prime Commercial Bank Limited $r_{(PCBL)} = 0.2714$. Among three commercial bank, the correlation value of $r_{(LBL)}$ is highest, and other two bank also have positive correlation coefficient between loan and advances and non-performing loan, it indicate that there is significant positive relationship between loan and advances and non-performing loan. It indicate that increased in loan and advances leads to increment in non-performing loan. All the bank should formulate the policies to control the non-performing assets. The increased in loan obviously increase the possibility of increment in non-performing assets due different economic, political, social and environmental changes. So while increasing the size of loan the bank should be careful in minimizing the chance of increasing non-performing assets.

5.3 Implications

The findings of the study reflect both positive and negative results with respect to the financial performance of the sampled banks. But the recommendations have been presented for the improvement of the banks. As per the above conclusion the following suggestions can be concluded for the banks:

Increase Loan-to-Deposit Ratio: All banks should aim to increase their loan and advances to deposit ratio. A higher ratio indicates the bank's capability to effectively mobilize its total deposits as loans and advances.

Address Non-Performing Loans: Non-performing loans significantly impact the banking sector. Banks must be diligent in granting loans and conduct effective follow-ups for the recovery of non-performing loans to mitigate this issue.

Enhance Lending Performance: Banks, including SBL, LBL, and PCL, should focus on increasing the loan and advances to total asset ratio to enhance lending performance.

Credit Creation and Interest Rate Reduction: Banks should work on increasing credit creation and reducing interest rates for loans and advances. This strategy will help them remain competitive in the market.

Offer Modern Banking Facilities: Providing modern banking facilities and continuously introducing new products will contribute to the development of the banking industry.

Maintain Provisions for Doubtful Loans: Banks should maintain provisions for doubtful loans as per the directives of the Nepal Rastra Bank to ensure their financial stability.

Shift Funds to Productive Sectors: Commercial banks should gradually redirect funds from consumer loans to productive sectors, aiding in capital formation within the country. This strategic shift will foster sustainable economic growth.

Improve Service Quality: Enhancing the quality of services is crucial. This includes adopting modern banking technologies, ensuring customer satisfaction, and offering competitive financial products.

Expand to Rural Areas: Banks should extend their focus beyond urban areas to rural regions. By doing so, they can tap into a new customer base, mobilize savings, and promote financial inclusion.

REFERENCES

- Adhikari, A. (2022). *Credit Risk Management and Profitability in Nepalese Commercial Banks* (Doctoral dissertation, Department of Management).
- Adhikari, R.K. (2014). *Research Methodology*, Kathmandu: Januka Publication Private Limited.
- Al-Amaren, E. M., Ismail, C. T. B. M., & Nor, M. Z. B. M. (2020). The blockchain revolution: A gamechanging in letter of credit (L/C). *International Journal of Advanced Science and Technology*, 29(3), 6052-6058.
- Altman, E. I. (1968). Financial Ratios, Discriminant Analysis and the Prediction of Corporate Bankruptcy. *The Journal of Finance*, 23(4), 589-609.
- Attanasio, O. P., & Pistaferri, L. (2016). Consumption inequality. *Journal of Economic Perspectives*, 30(2), 3-28.
- Avadhani, V. A. (2010). *Investment management*. Himalaya Publishing House.
- Bagale, S. Credit risk management and profitability of commercial banks in Nepal. *International Journal of Finance and Commerce*, 1 (4), 6-10.
- Baiden, J. E. (2011). The 5 C's of Credit in the Lending Industry. Available at SSRN 1872804.
- Bajracharya, B.C. (2071). *Business Statistics*, Kathmandu: M.K. Publishers and Distributors.
- Balampaki, R. (2021). *Credit Risk Management and Performance of Commercial Banks* (Doctoral dissertation, Department of Management).
- Balampaki, R. (2021). *Credit Risk Management and Performance of Commercial Banks* (Doctoral dissertation, Department of Management).
- Balassa, B. (1989). *The effects of interest rates on savings in developing countries*. Washington DC: The World Bank.
- Bhandari, D.R. (2005). *Banking and Insurance Management*, Kathmandu: Ayush Prakashan Pvt. Ltd.
- Bhatt, T. K., Ahmed, N., Iqbal, M. B., & Ullah, M. (2023). Examining the determinants of credit risk management and their relationship with the performance of

- commercial banks in Nepal. *Journal of risk and financial management*, 16(4), 235.
- Bhattarai, D.R. (2061). *Management Accounting*, Kathmandu: Khanal Books and Stationary.
- Blum, J. (1999). Do capital adequacy requirements reduce risks in banking?. *Journal of Banking & Finance*, 23(5), 755-771.
- Brahmaiah, B. (2022). Credit Risk Management Practices of Indian Banking Industry: An Empirical Study. *International Journal of Economics and Financial Issues*, 12(2), 67.
- Calmès, C., & Théoret, R. (2010). The impact of off-balance-sheet activities on banks returns: An application of the ARCH-M to Canadian data. *Journal of Banking & Finance*, 34(7), 1719-1728.
- Carruthers, B. G. (2017). The social meaning of credit, value, and finance. *Money talks: Explaining how money really works*, 73-88.
- Chakravorti, S. (2003). Theory of credit card networks: A survey of the literature. *Review of network Economics*, 2(2).
- Chand. K. (2010). “*Credit Disbursement and Repayment of Agriculture Development Bank Nepal*”. An unpublished master's degree thesis, submitted to T.U.
- Cheney, M.J. & Moses, A.E. (2004). *Fundamentals of Investment*, St. Paul: West Publishing Company.
- Chhabra, T.N. & Taneja, P.L. (1991). *Law and Practice of Banking*. New Delhi: J.C. Kaur to Dhanpati Rai and Sons.
- Chhetri, D. B. (2000). Non-performing Assets: A need for Rationalization. *Nepal Rastra Bank Samachar*, 3, 17-21.
- Creswell, J. W. (2003). *Research design: Qualitative, quantitative and mixed method approaches*. California: Sage.
- Creswell, J. W. (2011). Controversies in mixed methods research. *The Sage handbook of qualitative research*, 1 (4), 269-284.
- Dahal, S., & Bhaskar, P. K. (2020). A research report on cost efficiency and credit management variables of banking industry: a study ON sunrise bank and siddhartha bank. *Risk*, 2(4).

- Dangol, R.M. & Prajapati, K. (2071). *Accounting for Financial Analysis and Planning*. Kathmandu; Taleju Prakashan.
- Dewi, S., & Utama, A. S. (2018). The Implementation of Prudential Banking Principle in the Process of Channeling of Funds at Bank Riau Kepri Based on Banking Law. *Prosiding CELSciTech*, 3, 14-19.
- Dhungana, B. R. (2011). Impact of bank's deposit in economic growth of Nepal. *Journal of Finance and Management Review*, 2(1), 45-56.
- Duffie, D., & Singleton, K. J. (2003). *Credit Risk: Pricing, Measurement, and Management*. Princeton University Press.
- Engel, C., & Wu, S. P. Y. (2023). Liquidity and exchange rates: An empirical investigation. *The Review of Economic Studies*, 90(5), 2395-2438.
- Enrich, P. D. (1996). Saving the states from themselves: Commerce clause constraints on state tax incentives for business. *Harvard Law Review*, 377-468.
- Finger, H., & Hesse, H. (2009). Lebanon-determinants of commercial bank deposits in a regional financial center. *IMF Working Paper*, 195.
- Frey, L. R., Botan, C. H., Friedman, P. G., & Kreps, G. L. (1992). *Interpreting Communication Research: A Case Study Approach*. 1991: Pearson.
- Gallati, R. R. (2022). *Risk management and capital adequacy*. McGraw-Hill.
- Gautam, N. (2012). *Investment Analysis of Finance Company of Nepal*. An unpublished master's degree thesis, submitted to T.U.
- Gropp, R., Guettler, A., & Saadi, V. (2020). Public bank guarantees and allocative efficiency. *Journal of Monetary Economics*, 116, 53-69.
- Gurung, J. (2021). *Effect of Credit Risk Management on Financial Performance of Joint Venture Commercial Banks of Nepal (A Comparative study of Nabil Bank Ltd, Standard Chartered Bank Ltd, Nepal Bangladesh Bank Ltd, Nepal SBI Bank Ltd)* (Doctoral dissertation, Faculty of Management).
- Han, P. (2015). Credit risk management of commercial banks. *Journal of Business Administration Research*, 4(1), 8-11.
- Han, R., & Melecky, M. (2013). Financial inclusion for financial stability: Access to bank deposits and the growth of deposits in the global financial crisis. *World bank policy research working paper*, (6577).

- Haralayya, B. (2021). Loans And Advances with Reference to PKGB Bank. *Iconic Research And Engineering Journals*, 5(1), 160-170.
- Haron, P. S., & Azmi, D. W. (2006). *Deposit Determinanats of Commercial Banks in Malaysia*. Kuala Lumpur: Kuala Lumpur Business School.
- Heise, A. (1992). Commercial banks in macroeconomic theory. *Journal of Post Keynesian Economics*, 14(3), 285-296.
- Humagain, A. (2023). Effects of credit risks on growth of commercial banks in Nepal. *Journal of Management and Development Studies*, 39-52.
- James, C. (1996). RAROC Based Capital Budgeting and Performance Evaluation: A Case Study of Bank Capital Allocation. *The Wharton Financial Institutions Center*.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, 3(4), 305-360.
- Johnson, E. (1994). *Commercial Bank's Management*. New York: The Dryden Press.
- Jongwanich, J. (2009). *The determinants of household and private savings in Thailand*. Bangkok: Mathicon.
- Joshi, K. (2011). "Lending policy of Commercial Banks in Nepal" An unpublished master's degree thesis, submitted to T.U.
- Joshi, P. (2012). *Credit management in Nepalese commercial banks (with reference to NABIL Bank Ltd and Everest Bank Ltd)* (Doctoral dissertation, Department of Management).
- Joshi, R. (2014). "Investment Policy of Commercial Banks of Nepal", An unpublished master's degree thesis, submitted to T.U.
- Joshi, S. (2066). *Banking and Insurance*, Kathmandu: Taleju Publication.
- Kaitibi, D. B., Ganawah, E. T., Yokie, M. A., Jalloh, M., & Koroma, B. M. (2017). Impact of efficient credit management on profitability of commercial banks in Sierra Leone. *Open Journal of Business and Management*, 6(1), 139-150.
- Khaniya, A. (2014). Determinants of bank deposits: A survey of selected commercial banks in Nepal. *Nepalese Journal of Finance*, 2(1), 22-39.

- Kothari C.R. (1989). *Research Methodology Method and Techniques*, New Delhi: Willing Eastern Limited.
- Kothari, C.R. (2007). *Research Methodology, Method and Techniques*, New Delhi: Wiley Eastern Private Limited.
- Larbi-Siaw, O., & Lawer, P. A. (2015). Determinants of bank deposits in Ghana: A cointegration approach. *Asian Journal of Economics and Empirical Research*, 2 (1), 1-7.
- Liu, C., Zhang, X., & Medda, F. (2021). Plastic credit: A consortium blockchain-based plastic recyclability system. *Waste Management*, 121, 42-51.
- Lozano-Vivas, A., & Pasiouras, F. (2014). Bank productivity change and off-balance-sheet activities across different levels of economic development. *Journal of Financial Services Research*, 46, 271-294.
- Maharana, N., Choudhury, S.K., & Panigrahi, A.K. (2015). Deposit mobilization of commercial banks: A comparative study of BOB and Axis Bank in Bhubaneswar City. *Journal of Management Research and Analysis*, 2(3), 195-203.
- Maharjan, B. (2009). *A Study on Capital Adequacy of Commercial Banks (Comparative Study of Standard Chartered Bank Nepal Limited, Nepal Investment Bank Limited and Rastriya Banijya Bank Limited)* (Doctoral dissertation, Faculty of Management).
- Maharjan, R. (2023). *Credit Risk Management and Its Impact on Profitability of Commercial Banks in Nepal (Doctoral Dissertation, Department of Management)*.
- Maharjan, S. (2020). *Impact of Credit Risk on Profitability of Commercial Banks in Nepal* (Doctoral dissertation, Department of Management).
- Maharjan, S. (2021). *Factors affecting credit management of Nepalese commercial banks: A comparative study of Siddhartha Bank Limited and Sanima Bank Limited* (Doctoral dissertation, Department of Management).
- Markowitz, H. (1952). Portfolio Selection. *The Journal of Finance*, 7(1), 77-91.
- Mashamba T., Rabson, M., & Linda, C.G. (2014). Analysing the relationship between banks' deposit interest rate and deposit mobilization: empirical evidence from

- Zimbabwean commercial banks. *Journal of Business and Management*, 16(1). 64-75.
- McNabb, D. E. (2015). *Research methods for political science: Quantitative and qualitative methods*. Routledge.
- Mills, L. F., & Newberry, K. J. (2005). Firms' off-balance sheet and hybrid debt financing: Evidence from their book-tax reporting differences. *Journal of Accounting Research*, 43(2), 251-282.
- Neupane, D. (2010). *Profitability analysis of Laxmi Bank Ltd. & Siddhartha Bank Ltd* (Doctoral dissertation, Faculty of Management).
- Noor, M. A., Das, P. C., & Banik, B. P. (2018). Impact of credit risk management on financial performance of banks: A study on major state-owned commercial banks in Bangladesh. *The Cost and Management*, 46(1), 12-19.
- Pant, K. (2012). "A study of Deposit and its utilization by Commercial Bank in Nepal." An unpublished master's degree thesis, submitted to T.U.
- Pant, P.R (2010). *Social Science Research and Thesis Writing*, Kathmandu: Buddha Academic Publishers and Distributors Pvt. Limited.
- Pokhrel, K. (2015). Effect of Interest Rate on Bank Deposits: Evidences from Islamic and Non-Islamic Economies. *Future Business Journal*, 3(1), 1–8.
- Poudel, K. R. (2012). *Credit Management of Nepalese commercial banks (With reference to BOK & NIBL)* (Doctoral dissertation, Department of Management).
- Pradhan, P. D., & Paneru, D. (2016). Macroeconomic determinants of bank deposit of Nepalese commercial banks. *Nepalese Journal of Management*, 3(1), 1-11.
- Pradhan, S., & Shah, A. K. (2019). Credit risk management of commercial banks in Nepal. *Journal of business and social sciences research*, 4(1), 27-37.
- Rachmawati, E., & Syamsulhakim, E. (2004). *Factors affecting mudaraba deposits in Indonesia*. Bandung, Indonesia: Working Paper in Economics and Development Studies.
- Regmi, R. (2015). "A study on credit practices of joint venture commercial banks with reference to Nepal SBI Bank Ltd. and Nepal Bangladesh Bank Ltd." An unpublished master's degree thesis, submitted to T.U.

- Rimal, M. (2018). *Comparative Analysis of Credit Management of NBL and EBL* (Doctoral dissertation, Central Department of Management).
- Rouniyar, D. P. (2013). *Analysis of Liquidity and Profitability on Listed of four Commercial Banks* (Doctoral dissertation, Faculty of Management).
- Santamaría, L., Barge-Gil, A., & Modrego, A. (2010). Public selection and financing of R&D cooperative projects: Credit versus subsidy funding. *Research policy*, 39(4), 549-563.
- Schmidt-Hebbel, K., Webb, S. B., & Corsetti, G. (1992). Household saving in developing countries: First cross-country evidence. *The World Bank Economic Review*, 17(7), 529-547.
- Shettar, M., & Rajeshwari, D. (2014). Deposit mobilization and socio-economic impact: A case study of union bank of India. *IOSR Journal of Engineering*, 4(5), 21-26.
- Shrestha, M.K. (2011). *Financial Institutions and Market*, Kathmandu: Asmita Publication Private Limited.
- Shrestha, P. (2017). *A study of Non-performing Loan & loan loss provision of Commercial Bank, A case study of NABIL, SCB and NBL* An unpublished master's degree thesis, submitted to T.U.
- Shrestha, P. D. (2008). Private savings behaviour in Nepal: Long-term determinants and short-run dynamics. *Economic Review*, 20(1), 16-31.
- Shrestha, P. L. (2019). *Credit Risk Management and Financial Performance of Commercial Banks in Nepal* (Doctoral dissertation, Central Department of Management).
- Shrestha, U. (2018). *Credit Risk Management And Its Impact on Profitability of Nepalese Commercial Banks* (Doctoral dissertation, Central Department of Management).
- Siddique, A., Khan, M. A., & Khan, Z. (2021). The effect of credit risk management and bank-specific factors on the financial performance of the South Asian commercial banks. *Asian Journal of Accounting Research*, 7(2), 182-194.
- Shukla, S. (2016). Credit Risk Management in Financial Market. *Journal of Financial Risk Management*, 7 (3), 16-18.
- Tamang, B. (2022). *Impact of Credit Performance on the Profitability of Commercial Banks in Nepal* (Doctoral dissertation, Faculty of Management).

- Thapa, K. & Parajuli, B. (2014). *Financial Institutions and Market*, Kathmandu: Januka Publication Private Limited.
- Thapaliya, D. (2013). *Credit Management of Nepalese Commercial Banks (Comparative Study of Nepal Bank Ltd., Himalayan Bank Ltd. and Nepal SBI Bank Ltd.)* (Doctoral dissertation, Faculty of Management).
- Valahzaghard, M. K., & Kashfi, S. M. (2014). Investigating the effects of various factors on bank deposits. *Management Science Letters*, 4(4), 707-712.
- Van Horne, J.C. (1999). *Financial Management and Policy*, New Delhi: Prentice Hall of India Private Limited.
- Varshney, N.P. & Swaroop, G. (1994). *Banking Law and Practice*. New Delhi: Sultan
- Vasilescu, A. (2015). National Bank of Romania--Strategies for Sound Lending. *Central Bank Journal of Law and Finance*, 2(2), 123-137.
- Venkatesan, S. (2012). An empirical approach to deposit mobilization of commercial banks in Tamilnadu. *IOSR Journal of Business and Management*, 4(2), 41-45.
- Von Pischke, J. D., & Adams, D. W. (2008). Fungibility and the design and evaluation of agricultural credit projects. *American Journal of Agricultural Economics*, 62(4), 719-726.
- Wairagu, E. G. (2016). *Influence of Credit Policy on the Performance of Loans among Commercial Banks in Kenya* (Doctoral dissertation, Kca University).
- Welsch, G.A., Ronald, W.H. & Paul, N.G. (1999). *Budgeting Profit Planning and Control*, (5th Edition): New Delhi: Prentice Hall of India.
- Wolf, H. K., & Pant, P. R. (2002). *Social Science Research and Thesis Writing*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd.
- Yusof, R. M., Wosabi, M. A., & Majid, S. A. M. (2009). Monetary policy shocks and Islamic banks deposits in a dual banking system: Empirical evidence from Malaysia and Bahrain. *Journal of Economic Cooperation and Development*, 30(2), 1-26.

IMPACT OF CREDIT MANAGEMENT ON NET PROFIT OF LA...**By: Rupa Bhandari**As of: Jul 5, 2024 3:44:10 PM
37,844 words - 117 matches - 4 sources

Similarity Index

6%Mode: ▾**sources:**

1,670 words / 4% - from 17-Feb-2024 12:00AM

elibrary.tucl.edu.np

224 words / 1% - from 16-Feb-2024 12:00AM

elibrary.tucl.edu.np

202 words / 1% - from 17-Feb-2024 12:00AM

elibrary.tucl.edu.np

235 words / 1% - Internet from 13-Jan-2023 12:00AM

elibrary.tucl.edu.np**paper text:**

Abstract There are now 20 commercial banks in operation in Nepal. Following the government's 1990 adoption of a liberal policy, the number of banks and other financial firms skyrocketed. They have been providing the public with excellent financial services. The battle between banks and financial intuitions is fierce. In specifically, three banks— Laxmi Bank Limited, Siddhartha Bank Limited, and Prime Commercial Bank Limited— are the subject of this study, which was conducted using the ten-year financial statements of each bank. The goal

of the study is to assess the credit management of **commercial banks**

. The introduction, literature review, research methods, data presentation and analysis, summary, conclusion, and suggestion are the five chapters that make up the study's structure. The primary source of secondary data for this research was published annual reports and other bank publications. Additional relevant data was obtained

from the relevant **banks, Nepal Rasta Bank, Nepal Stock Exchange, Securities Board of Nepal** , and several other **websites**

. Financial and statistical procedures such as correlation coefficient analysis and ratio analysis have been used to examine the data.

Keywords: Capital Adequacy Ratio (CAR), Non-Performing Loan (NPL), Loan and Advances (LAA), Cash Reserve Ratio (CRR),

Weighted Average Interest Rate Spread (WAIRS) Net Profit CHAPTER –I INTRODUCTION 1.1 Background of the Study Since 1992,

Nepal's economy has been more liberalized and is open to international investment. Almost half of its people are living below the absolute poverty line, especially in rural regions where access to basic amenities like power, roads, clean drinking water, proper nutrition, and sanitary conditions is limited. Important measures of human development including life expectancy, literacy, and nutrition levels show how widespread poverty is in the nation. Nepal's landlocked location, inadequate infrastructure, inefficient resource mobilization and exploitation, and unpredictable political and economic climate are the main causes of the country's sluggish rate of progress. Nepal's commercial banks have grown quickly; as of April 2024, there were 20 banks in operation (NRB,