

**NON-PERFORMING ASSETS AND PROFITABILITY OF COMMERCIAL  
BANKS IN NEPAL**

*A Dissertation Submitted to the office of the Dean, Faculty of Management in partial  
fulfillment of the requirement for the Master's Degree*

*By*

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**February 22, 2022**

### **Certification of Authorship**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Non-performing assets and profitability of commercial banks in Nepal”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it 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 the dissertation.

Sarita Bashyal

February 22, 2022

### Report of Research Committee

Ms./Mr. Sarita Bashyal has defended research proposal entitled “**Non-Performing Assets and profitability of commercial banks in Nepal**” 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 Asst. Prof. Dr. Bal Ram Duwal and submit the thesis for evaluation and viva voce examination.

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**APPROVAL SHEET**

We have examined the dissertation entitled **Non- Performing Assets and profitability of commercial banks in Nepal** presented by Sarita Bashyal, a candidate for the degree of **Master of Business Studies (MBS)**. We hereby certify that the dissertation is acceptable for the award of degree.

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## ACKNOWLEDGEMENT

This research entitled “Non-Performing Assets and Profitability in Commercial Banks of Nepal” has been prepared for the partial fulfillment of the requirement for the Degree of Masters of Business Studies. The general purpose of the study is to discuss, examine and evaluate the Non-Performing Assets, profitability status and the impact of Non-Performing Assets on profitability of the Nepalese commercial banks.

The Completion of the study is a result of help and support of several hands. Therefore, I would like to express my heartfelt gratitude to all those respondents for their help and support.

I acknowledge the encouragement, guidance, constant follow-ups and suggestions from my supervisor, Asst. Prof. Dr. Bal Ram Duwal. It is for his tireless and invaluable efforts and by setting time for me his busy schedule that this research paper has been successful. It was an enjoyable period during the research work to be with him as a supervisor.

I would like to express cordial gratitude to Prof. Dr. Mahananda Chalise (Chairperson, research committee) for his timely and continuous guidance throughout the study. Likewise, I am grateful to Asso. Prof. Dr. Ramji Gautam, the head of Central Department of Management (CDM) and also highly appreciate the efforts of all teacher and other members of central department of management, libraries staffs who inspired and provided the needed materials to complete this thesis.

I would like to express my sincere thanks to my parents, family members and friends who always encouraged and inspired me continuously in whatever way it is possible.

Sarita Bashyal

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## **ABSTRACT**

This study examines the impact of non-performing assets and profitability of commercial banks in Nepal. Out of 27 commercial banks, five commercial banks have been selected as sample based on descriptive and analytical technique. Secondary data was collected from the annual reports of five selected commercial banks for the period of 2011/12 to 2020/21. Data have been collected and analyzed by using mean, coefficient of variation, correlation and regression analysis. The profitability in terms of return on assets (ROA), return on equity (ROE) and profitability are selected as dependent variables. Non-performing assets (NPA), capital adequacy ratio (CAR) and total loan to total deposit ratio (TLTD) are taken as independent variables. The finding indicates that NPA has significant impact on the profitability of Nepalese commercial banks. The result shows that ROE has been found a positive impact on the NPA, CAR and TLTD. Thus, this study concludes that non-performing assets is an important predictor for the profitability of the bank. Therefore, the success of the bank in term of profitability depends on its non-performing assets.

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**ABBREVIATIONS**

AM:	Arithmetic Mean
BS:	Bank Size
C.V:	Coefficient of Variation
CAR:	Capital Adequacy Ratio
EBL:	Everest Bank Ltd
TLTD:	Total Loan to Total Deposit
GDP:	Gross Domestic Product
HBL:	Himalayan Bank Ltd
NCB:	Nationalized Commercial Bank
NP:	Net Profit
NPA:	Non-Performing Assets
NRB:	Nepal Rastra Bank
NSBL:	Nepal SBI Bank Ltd
RBI:	Reserve Bank Of India
ROA:	Return on Assets
ROE:	Return on Equity
SD:	Standard Deviation
SOI:	State Bank of India
NMB:	Nepal Merchant Bank Limited