

**CREDIT RISK MANAGEMENT AND PROFITABILITY OF
COMMERCIAL BANKS IN NEPAL**

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fulfillment of the requirements for the Master of Business Studies (MBS)

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “credit risk management 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 it has been proposed and presented as part of requirements for 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.

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Date: June,2024

REPORT OF RESEARCH COMMITTEE

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Thank you

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ABBREVIATIONS

AQ	:	Assets Quality
CAR	:	Capital Adequacy Ratio
CADR	:	Cash Deposit Ratio
CDR	:	Condition of credit Risk
GDP	:	Gross Domestic Product
GM	:	General Method of Moment
KBL	:	Kumari Bank Limited
LBL	:	Laxmi Bank Limited
NPLR	:	Non-Performing Loan Ratio
ROA	:	Return on assets
ROE	:	Return on Equity
SBL	:	Siddhartha Bank Limited
LLP	:	Loan Loss Provision
LA	:	Loan and Advance
NPL	:	Non-Performing Loan

ABSTRACT

Credit Risk Management and Profitability of commercial Banks in Nepal help to determined is any credit institution's success or failure can be directly attributed to poor credit risk management. The primary worry of the banks is credit risk and its administration as credit or credits and advances are the principal kind of revenue for them. This concentrate hence expects to look at the effect of credit risk the board on productivity of banks in Nepal. For five years (2018-19 to 2022-23), secondary data were gathered from Nepali commercial banks. The multiple regression analysis was used in this study. The finding shows that all the example banks have overseen advances as well as the nonperforming credits. The connection examination shows that credit and advance (LA) has critical connection with non-performing credit (NPL) in 1% degree of importance with relationship coefficients 0.466 which truly intends that there is moderate level of positive relationship among's credit and advance and non-performing advance. Simultaneously, credit and advance (LA) has critical connection with advance deficit arrangement (LLP) and net benefit (NP) in 1% degree of importance. Be that as it may, there is immaterial positive connection between's non-performing credit and net benefit. This study recommends that Nepalese commercial banks collaborate with credit reference bureaus in the country to thoroughly investigate the past credit worthiness records of loan applicants in order to reduce the rate of default. Additionally, the result found that loan and advance, non-performing loan, and loan loss provision have a significant impact on sample banks' profitability.

Key words: Credit risk, profitability, loan & advance, non-performing loan.

CHAPTER-I INTRODUCTION

1.1 Background of the Study

Credit the executives, to simplify it, alludes to subsidize and working capital administration. As a matter of fact, on the off chance that it connects with working capital, it could be correct. In any case, in the event that it connects with reserve the executives, it tends to be a drawn out premise. Credit The board is the most common way of moderating the gamble associated with giving the credit. It is a key to effectively use our credit by limiting our dangers and misfortunes. Acknowledge is viewed as the most pay producing resources particularly in business banks.

Similarly, Burton, Nesiba, and Brown (2015) characterize acknowledge risk as the likelihood of debt holder not paying the head or potentially the interest due on an extraordinary obligation. As expressed before, advance revenue is one of the significant types of revenue in business banks yet additionally the essential wellspring of credit hazard to the banks (Bhattarai, 2014). At the point when a bank issues credits to their clients, they anticipate that they should reimburse the head and premium sum on a concurred time. In any case, on the off chance that both the head and interest installment are gotten on a concurred time with concurred terms, it is known as performing advance (Kolapo et al., 2012). In the event that the credit installment isn't gotten on time, it is known as a non-performing credit (NPL) (Kolapo et al., 2012). NPL is ordinarily grouped into three classifications specifically: an unsatisfactory credit, suspicious advance and misfortune credit (Kolapo et al., 2012). If the credit isn't returned within 90 days of the scheduled date, it's considered unsatisfactory credit, and if it's not returned within 180 days of the credit due date, it's considered a suspicious advance. Misfortune credit is what happens if, in the unlikely event that the advance isn't repaid more than 360 days after it should (Global, 2005). At the point when the misfortune credit classification gathers to an enormous sum, it is a gigantic misfortune to the bank (Gestel and Baesens, 2009)

Credit or default risk is the gamble that the guaranteed incomes from advances and protections held by monetary establishments may not be settled completely. Should a borrower default, both the chief lent and the interest installments expected are in danger. The potential misfortune a monetary organization can encounter proposes that

monetary foundations need to gather data about borrowers whose resources are in their portfolios and to screen those borrowers extra time. Credit risk is the vulnerability related with borrower's advance reimbursements. Overall when borrowers' resource values surpass their obligation they reimburse credits however when borrowers' resources values are not as much as advance qualities, they don't reimburse and they could consequently practice their choice to default (Sinkey, 2002). Credit risk is by a wide margin the main gamble looked by Banks and the outcome of their business relies upon precise estimation and proficient administration of this gamble to a more prominent degree than some other gamble. Expansions in credit hazard will raise the peripheral expense of obligation and value, which thusly expands the expense of assets for the bank (Shrestha, 2004). There is no reasonable meaning of what credit the executives is. It is generally viewed as guaranteeing that purchasers pay on time, credit costs are kept low, and unfortunate obligations are overseen in such a way that installment is gotten without harming the relationship with that purchaser. An exchange credit insurance agency does generally that. Either straightforwardly or related to an organization's credit office. An endorsed credit the executives strategy can offer confirmations to a supporting bank, which might work with funding. A capability performed inside an organization to improve and control credit policies that will prompt expanded incomes and lower risk including expanding assortments, diminishing credit costs, stretching out more credit to reliable clients, and creating serious credit terms. It additionally called credit control. Approaches ought to be occasionally assessed and reconsidered to oblige shifts in the bank's essential course, risk resistance, or economic situations. Strategy survey ought to consider the authoritative construction, broadness and intricacy of loaning exercises, capacities and skills of loaning work force, and key portfolio quality and profit goals. All approach surveys ought to incorporate the hierarchical unit liable for evaluating consistence with strategy.

Kithinji (2010) distinguishes significant wellsprings of acknowledge risk as restricted institutional limit, unseemly credit arrangements, unpredictable financing costs, improper regulations, low capitals and liquidity levels, coordinated loaning, gigantic permitting of banks, unfortunate advance guaranteeing, unfortunate administration, carelessness in credit appraisal, unfortunate loaning rehearses, government obstruction and lacking management by the national bank. To limit credit risk emerging from these sources, Laker (2007) suggests the need for the monetary

framework to: (i) have very much promoted banks, (ii) offer support to a large number of clients, (iii) share data in regards to borrowers, (iv) have a settle financing cost, (v) increment bank stores and credit to borrowers, and (vi) diminish non-execution credit.

To moderate gamble and to keep away from monetary and financial troubles, risk the board is vital and is fundamental for long haul progress of banks. The successful administration of credit risk improve productivity and reasonability of banks as well as adds to the fundamental soundness and effective distribution of capital in the economy (Psillaki, Tsolas, and Margaritis, 2010). This is vital to banks as it is an essential piece of the banks' credit interaction. Credit risk the board can be characterized as ID, estimation, checking and control of credit risk emerging from the chance of default in advance installment (Coyle, 2000; James, 1966). While the banks don't have a reasonable sign regarding what extent of the borrowers will probably default, the vulnerability results to the variety in benefit among banks too. The primary point of overseeing credit risk is to boost bank's return adapted to the gamble while keeping an adequate degree of openness (Ndoka and Islami, 2016). For the most part, senior administration makes and creates arrangements and methodology for credit organization and gets the endorsement from the governing body and are liable for carrying out it (Ndoka and Islami, 2016).

Preferably, the senior administration ought to guarantee that execution would include clear correspondence of arrangements and methods to all staff connected with credit endorsement process in the pecking order (Ndoka and Islami, 2016). Additionally, powerful credit risk the executives is then checked by an interior gamble control and review that screens credit discipline, advance approaches, endorsement strategies, portfolio level gamble and office risk openness (Gestel and Baesens, 2009). Subsequently, a sound credit risk the board structure is significant for effective administration of credit gambles in upgrading benefit and its endurance.

To sum up, the monetary arrangement of a country holds basic significance on banks' credit risk the executives and benefit. A solid credit risk the board maintains a strategic distance from huge disadvantages and increment banks monetary execution. Great monetary execution rewards investors for their speculations. This will then, at that point, empower extra speculation and bring financial development. Interestingly, unfortunate financial execution can prompt financial disappointment and emergency which might have an adverse result on monetary development.

1.2 Problem Statement

Fundamentally banks in Nepal have been dealing with the issues in credit and venture area and the current opportunities for banks to expand into extensive variety of administrations and items gives great chance to banking business people and administrators. However, this expansion advantage is a once in a daily existence time opportunity that ought to be used with a few wariness and sound administration as this implies a lot of hazard. There is one saying that "the higher you go, the colder life becomes". Banking industry is high-risk business however being high benefit industry isn't required. Overseeing chance and return in financial industry is very troublesome. In Nepal a large portion of the business banks are zeroing in on purchaser credit, vehicle credit, land advance and so forth. Anyway on the other part, development of modern credit has not been empowering lately. Absence of sound information and different dangers related with advance prompts unstable credit and speculation that could carry banks towards liquidity and bankruptcy. Due to progress stage, temperamental government and weakening financial situation Nepalese banks are hesitant to give credit to modern and business areas. So a large portion of the banks are giving credit to beneficial and useless areas. More progression of credit towards ineffective areas has become serious worry for the country. Loaning arrangements are not efficient and co obvious vision of strategy is accessible on loaning viewpoint. In Nepal it has been observed that endorsement and loaning choices are made for those people who have individual organization. So another client finds that advance giving interaction being exceptionally muddled and now and again the records presented the credit endorsing being fake and for official reason as it were.

The examination question to be raised for covering the issues of this study are as per the following:

- What is the present situation of credit risk (credit to deposit ratio, assets quality, liquidity ratio) and profitability (ROA, ROE) of commercial banks in Nepal?
- What is the connection between credit risk and monetary execution of business banks in Nepal ?
- How credit risk impact the depended variable (ROA, ROE) of business banks in Nepal?

1.3 Objectives of the Study

The general motivation behind this exploration is to examine what credit risk the board will mean for on the productivity of business banks of Nepal. As a result, the general goal of this research is to assess the role of the risk board in the financial execution of a Nepalese commercial bank.

- To examine the present condition of credit risk (CDR), assets quality, liquidity ratio and profitability (ROA, ROE) of selected commercial banks in Nepal.
- To assess the relationship between credit risk (CDR), assets quality, liquidity ratio and profitability (ROA, ROE) of selected commercial banks in Nepal.
- To analyse impact of credit risk (CDR), assets quality, liquidity ratio on profitability (ROA, ROE) of selected commercial banks in Nepal.

1.4 Hypotheses

In view of the surveys or more examination structure, following speculations are formed for the review:

H1: There is significant impact using a credit card hazard and benefit of business banks.

H2: There is significant impact using a credit card to store proportion on monetary execution.

H3: There is significant impact on short/long haul advance proportion on monetary execution.

H4: There is significant impact on speculation and interest on credit proportion.

1.5 Rational of the Study

There are just not many investigates led on the subject credit risk the board of business banks. Because it is the bank's highest source of income and has an impact on profit and performance, credit risk is a crucial factor. The highest return for banks comes from loan interest. Developing rivalry and worldwide monetary emergency has had extraordinary effect in financial business. The credit risk has risen significantly. Because of this, loan management has become more important, making it a very current topic. A clear and efficient loan management function that can assist in maximizing profits during these difficult economic times is critical, particularly in light of the current economic climate. All shareholders, investors, and bankers could

benefit from this study. As a literature review, this study would also be helpful to other free researchers conducting additional research. The findings of the study would also be helpful to others who are interested in learning more about this bank. Several commercial banks in Nepal's profitability and determining factors will be examined in this study. The benefit examination of banks is valuable to the strategy creator to recognize the achievement or disappointment of business banks in Nepal. The study aids in comparing and assessing the earning potential of Nepali commercial banks.

1.6 Limitation of the Study

Nepal Rastra Bank controls the business banks, advancement banks, supporting organizations, investment funds and credit cooperatives, microfinance monetary establishments, and non-legislative associations that involve the country's monetary framework. In any case, the extent of this examination is restricted to the investigation of Nepal's business banks and disregards different kinds of monetary bases. The business banks were chosen for this examination in light of the fact that the Nepalese national bank watches out for them. Business banks should comply with specific principles. They likewise have the tremendous heft of the business' resources.

- The study is limited to only three commercial banks of Nepal, Kumari Bank Limited, Laxmi Bank Limited and Siddhartha Bank Limited.
- The study covers the time period of 2018/19 to 2022/23.

CHAPTER-II

LITERATURE REVIEW

The survey of writing is a significant part of arranging of the review. The principal motivation behind writing survey is to figure out what works have been finished in the space of the examination issue under study and what has not been finished in that frame of mind of the exploration study being embraced .regarding the review, credit the executives in Nepalese business banks. This unit of the review attempts to portray about the credit. Other than these this part features the writing that is accessible in concerned subject regarding my insight, research work, significant concentrate on this point and audit of proposal work performed beforehand.

It has been classify into two gatherings:

Theoretical Review

Empirical Review

Research Gap

2.1 Theoretical Review

To make sense of the credit risk and its benefits made by entrepreneurs, financial experts have proposed various benefit speculations. The discussion with respect to the business visionary's capability is at the focal point of most of speculations. A portion of the crucial thoughts of benefit are momentarily investigated in the part that follows.

Credit risk theory

Credit risk as indicated by SalasandSaurina, alludes to the gamble that a borrower will default on an obligation by neglecting to make required installments. The gamble is fundamentally that of the loan specialist and incorporates lost head and premium, upset misfortune might be finished or halfway and can emerge in various conditions, for example, a wiped out bank unfit to return assets to a contributor. To lessen the banks risk, the loan specialist might play out a credit mind the forthcoming borrower, may require the borrower to take proper protection, like home loan protection or look for security or certifications of outsiders. As a general rule, the higher the gamble, the higher will be the loan cost that the borrowers will be approached to pay on the obligation (Owojori, Akintoye&Adidu).

Innovation theory of Profit

A. Joseph The innovation hypothesis of profit was developed by Schumpeter. Entrepreneurs' successful innovations result in economic profit, according to the innovation theory of profit. There are two types of innovation. Innovations that lower production costs are the first type. One of the earliest forms of innovation is the introduction of new machines and technology that are less expensive. The second classification of development is one that raises buyer interest for a long term benefit. Second types of innovation include the introduction of a new product and a new variant or design.

Monopoly Theory of Profit

Restraining infrastructure hypothesis of benefit was made by John Robinson, E.H. Chamberlin, and M. Kalecki. Because of the huge obstructions to passage for new organizations, syndication undertakings can keep on bringing in cash much over the long haul. Syndication companies have unlimited authority over the assets expected to give a decent or administration, whether through economies of scale, legitimate authorization, possession licenses, or government import limitations.

Review of Thesis

This part includes review of studies conducted by other previous researcher, their objectives and finding in the related topic.

Syafrizal et al. (2023) analyzed the impact of credit risk the board on monetary execution (Shrestha, 2017). Then again, the Basel Council gave Basel 1 of every 1988, Basel 2 out of 1999, and Basel 3 out of 2009 fully intent on working on the nature of capital since capital assumes a critical part in accomplishing monetary dependability for banks. As per Olalekan and Adeyinka (2013), sufficient capital is viewed as the establishment for forestalling bank disappointment by retaining misfortunes related with the dangers that banks take in their endeavors to fulfill the authentic credit requests of the local area. A bank's ability to cover all intrinsic dangers in its procuring resources, most of which are credits, is estimated by its capital sufficiency proportion (Vehicle) (Shrestha, 2017).

Nepal Rastra Bank 2022 , analyzed the impact of credit risk on the monetary execution of business banks in Nepal over the time of 5 years (2017/18-2021/22). The choice of the most recent five years was made so that fresh data could be included in the analysis. Since the data come from a pool of cross-sectional and time series data, it seems like enough to generate data for the analysis. The descriptive and causal comparative research design is used in this study. Size, Capital Sufficiency Proportion (Vehicle), Non Performing Advance Proportion (NPLR) and Credit to Store Proportion (CDR) are the free factors in this review, while Return on Resource (ROA) is the reliant variable. Nepal Rastra Bank's 2022 annual report, there are 26 commercial banks in total. As a result, the entire population of this study consists of Nepal's 26 commercial banks. Seventy-one observations came from fourteen commercial banks whose five fiscal years, i.e. FY 2017/18 to FY2021/22 has been taken as test for a similar reason. The banks chose for the review are: Residents Bank Worldwide Ltd., Everest Bank Ltd., Worldwide IME Bank, Himalayan Bank, Kumari Bank, Nepal Bank, Nepal Venture Bank, Nepal SBI Bank, NIC Asia Bank, NMB Bank, Prime Bank, Rastriya Banijya Bank, Siddhartha Bank and Standard Sanctioned Bank. Judgemental testing technique is utilized in picking the banks for the review. The required data are obtained from the relevant banks' annual reports.

Chhetri (2021) , researched the impact of credit risk on the monetary execution of business banks in Nepal. The board information of seventeen business saves money with 85 perceptions for the time of 2015 to 2020 have been examined. According to the regression model, financial performance (ROA) is negatively impacted by non-performing loans (NPLR). Financial performance (ROA) is not significantly impacted by the capital adequacy ratio (CAR) or bank size (BS). Credit to store (CDR) has positive yet no critical relationship with the monetary exhibition (ROA) and the review presumed that the administration quality proportion (MQR) has positive and huge relationship with the monetary presentation (ROA) of the business banks in Nepal. The study suggests that Nepalese commercial banks must implement scientific credit risk management, increase their efficiency in credit analysis and loan management, and reduce the high rate of nonperforming loans and their detrimental effects on financial performance in order to secure as much of their assets as possible.

Pakurár et al. (2019) investigated the role that credit risk management plays in determining a financial institution's or any other business's profitability. An organization's profitability is safeguarded by effective credit risk management, which helps minimize losses caused by borrowers' default or nonpayment. The financial area is one of the most essential underpinnings of any friendly or monetary turn of events, since it is the essential community for gathering reserve funds from people, associations, and organizations and guiding them toward the conceding of different sorts of advances and credit offices (Pakurár et al., 2019). One of the goals of commercial banks is to maximize profits in order to boost owners' wealth. Credit risk is the most significant risk that banks face because they re-lend deposits to form credit facilities, which accounts for a significant portion of their profits.

Serwadda (2018) , coordinated credit risk plays a significant part in deciding how profitable banks are on the grounds that the premium they charge using a loan represents a bigger piece of their income. This study incorporates the advance to-store proportion, the capital amplex proportion, the credit misfortune arrangement proportion, and the level of non-performing credits as pointers for credit risk the board. Diminishing default and delinquency misfortunes is one way that proficient credit risk the executives assists with supporting productivity. By assessing risk, differentiating portfolios, setting up checking frameworks, applying risk moderation methodologies, deciding appropriate evaluating and loan fees, making arrangements for misfortunes, and keeping up with administrative consistence, organizations can further develop their credit risk the board techniques and defend their benefit. Shrestha (2017), Agbeja et al. (2019), and Nguyen (2020), for instance.

Bhattarai (2016) used pooled data from fourteen Nepalese commercial banks from 2010 to 2015, totaling 77 observations, to examine the impact of credit risk on the performance of Nepalese commercial banks. As independent variables and as dependent variables, the 77 observations include the capital adequacy ratio, the non-performing loan ratio, the cost per loan asset, the cash reserve ratio, and the size of the bank. To evaluate the data, regression analysis was utilized. The study's findings revealed that the commercial banks under consideration had been using inadequate credit risk management practices. This was additionally proven by the adverse consequence of nonperforming credit proportion on bank execution and the beneficial

outcome of cost per advance resources on bank execution. Rather than different examinations, the creator found that capital ampleness proportion and money save have no effect on bank execution. The author suggests that banks establish appropriate credit risk management strategies by carrying out sound credit evaluation procedures prior to granting loans to customers because there is a significant relationship between credit risk and bank performance.

Alshatti (2015) analyzed the impact of credit risk the executives on monetary execution of the Jordanian business banks during the period 2005-2013 utilizing capital ampleness proportion, credit revenue/credit offices proportion, arrangement for offices deficit/net offices proportion, influence proportion and non-performing advances/gross advances proportion as autonomous factors. The reliant factors address the productivity estimated by ROA and ROE. The data are analyzed using the profitability ratio and multiple regression model. The creator reasons that all the credit risk the executives markers utilized in the review affect the monetary presentation of the Jordanian business banks. Banks should take into account the indicators of Non-performing loans/Gross loans, Provision for facilities loss/Net facilities, and the leverage ratio, which were found to be significant in determining credit risk management, according to the researcher, in order to increase profits.

Bayyoud and Sayyad (2015) investigated how credit risk affected the top five commercial banks in Nigeria. The negative effects of credit risk on the bank's profitability necessitated that study, and its findings served as the foundation for policy measures to be presented to stakeholders on how to manage credit risk in a way that increases the value of the bank's assets and reduces bank risk. The data are analyzed using a linear regression model and the hypothesis test. They utilized non-performing endlessly advance & advances proportion as the proportion of acknowledge risk and ROA as a proportion of benefit. The finding demonstrated that the profitability was negatively impacted by the ratios of non-performing loans to loans and advances and loans and advances to total deposits. This study showed that there is a significant relationship between bank execution and credit risk the executives.

Eva and Jaroslav (2014), analyzed the credit management in financial institutions (FIs) is crucial to their survival and expansion. On account of banks, the issue of

credit the executives is of considerably more prominent concern in light of the greater degrees of seen gambles coming about because of a portion of the qualities of clients, business conditions and financial climate in which they track down themselves. A comprehensive credit management policy addresses the identification of target markets, credit extension, credit monitoring, and proceeds. Credit the board strategy involves the components, principles and boundaries that guide the bank officials in giving advances and dealing with the advance portfolio under the financial discipline. According to Ejoh, Okpa, and Inyang (2014), it is a set of guidelines aimed at maximizing the benefits and minimizing the costs of credit. Han (2016) went on to say that credit management policies help the credit department of financial institutions extend credit privileges that are governed by rules and guidelines set by top management.

Gizaw et al. (2013) investigated how credit risk affected the profitability of Ethiopian commercial banks. Optional information was recovered from 8 example business banks for a time of a long time from yearly reports of particular banks and public bank of Ethiopia. In examining the information, a STATA programming variant 11 was utilized to process the distinct statics and board information relapse model and the result was that credit risk determinants; non-performing credits, advance misfortune arrangements and capital sufficiency essentially affect the productivity of business banks on Ethiopia. In this manner, the analysts focused on the need to reinforce the credit risk the executives approaches to acquire better monetary representing business banks in Ethiopia.

Ogboi and Unuafe (2013) investigated how credit risk management and adequate capital affect the financial performance of Nigerian commercial banks. Its goal is to concentrate on pressure that Nigerian banks in their mission to amplify benefit are directing throw of their alarm monetary assets in arrangement for credit misfortune. Time series and cross sectional information were gotten from the yearly report and records of chosen banks from 2004-2009. The researchers estimated the connection between loan loss provisions (LLP), loans and advances (LA), non-performing loans (NPL), capital adequacy (CA), and return on asset (ROA) through the use of panel data analysis. Comprehensive credit risk management and capital adequacy were found to have a positive impact on profitability, while loans and advances had a

negative impact on financial performance during the study period. In view of the outcome, the creators prescribe Nigerian banks to lay out fitting credit risk the executives systems by directing thorough credit

2.2 Empirical Review

This part includes review of books, article, previous studies or review of thesis.

2.2.1 Review of international article

Syafrizal et al. (2023) examined the connection between the bosses' credit risk and the proficiency of Pakistani business banks. (2023). The monetary area fills in as the underpinning of any non-current country. The capital adequacy degree really influences capability since Pakistan's cash related establishment expects a fundamental and solid part in drawing in financial new turn of events and money related region genuineness. A dependable degree of capital adequacy is fundamental for cash-related associations to be useful. It safeguards against unexpected events, faces reasonable test the board significantly more clear, diminishes down getting costs, empowers business progress, guarantees consistence with rules, stays aware of money related accomplice conviction, and lifts monetary help respect. By keeping up with all that Vehicle, monetary organizations can research the unpredictable and disappointing monetary industry scene while safeguarding their benefit.

Kwashie et al. (2022), examined the relationship between credit plausibility and bank execution of business banks in Ghana. The Credit Evaluating Hypothesis recommends that the cost of a not absolutely forever settled by the expense, edge, and chance premium. The fundamental focal points of the overview are examine reasonableness of credit technique. focus on advance portfolio extension and addition credit risk. take a gander at Banks that dependably set high advancing rates may simply attract risk-pursuing borrowers or go with a negative decision issue in which bet reluctant borrowers are enthused about applying for a credit extension. measure the credit execution and measure the liquidity position. It moreover not altogether settled by the cost, edge, and chance premium.

Yuan et al. (2022) perceived what bank-unequivocal components meant for how significant confidential South Asian business banks were. The fundamental objectives

of the audit are to investigate the organization of credit installment, spread out the association between store arrangement and advance administering, and spread out the association between credit installment and recovery. Some place in the scope of 2010 and 2021, board data were picked carelessly from 40 banks, 20 from India and 20 from Bangladesh. This study's choice is that to help a bank's efficiency, chiefs should zero in on controlling these bank-express factors.

Siddique et al. (2021) zeroed in on the issue of high non-performing moves in South Asian business banks, which added to 60% of world development. The audit's fundamental goals are to take a gander at the credit apportioning strategy, the state of advance recovery, and the feasibility of new organization ahead of time recovery. The issue of high non-performing credits in South Asian business banks, which addressed 60% of overall turn of events, was the point of convergence of the audit. The overview utilized information gathered from 19 business banks in Pakistan and India and involved a summed up framework for second (GMM) for assessment. The overview recommends that credit risk the board and bank-unequivocal elements expect a fundamental part in the cash related show of business banks in South Asia.

Kishori and Sheeba (2017) highlighted investigating various components that effect credit risk and besides highlighted exploring the impact of credit risk on the advantage of the bank. The chief focuses of the audit are show the change of stores according to change in the speed of interest. Dissect the association among stores and credits and advances of the bank and show the resources (stores) gathering of the bank. The discretionary data was accumulated from the yearly reports of the State Bank of India for a significant period of time (1996-1997 to 2015-2016).The result showed that credit risk has an immense, unfriendly outcome on benefit. State Bank of India can restrict the credit risk by diminishing the nonperforming assets and managing the impact suitably.

Samuel (2015) studied the effect of credit risk on the performance of the Nigerian commercial banks. Evaluated the trend of loan disbursement and collection study target and actual loan disbursement and collection .Examine the achievement of purpose wish, term wise and development region wish loan disbursement outstanding. They used Non-performing loan and loan & Advances ratios as the measure of credit

risk and ROA as a measure of profitability. The result showed that the ratio of Non-performing loan to loan & Advances and loan and advances to total deposit negatively affect the profitability. This study showed that there is a major association between bank performance and credit risk management.

Han (2015) analyzed the credit the executives experience and deficiency of Chinese business banks and afterward suggested a few countermeasures to control the credit hazard of business banks in China. The principal targets of the review are analyze the exhibition of the chose business banks regarding reserve assortment and assembly. To survey determinants of examined banks reserve assortment and activation in business banks. To assess the development proportion of credit and advance and complete venture with separate to development pace of all out store and net benefit on inspected banks. Konovalova, Kristovska, and Kudinska (2016) extended a model of credit risk evaluation based on factor examination of retail clients/borrowers to guarantee prescient control of the degree of hazard presented by expected clients in business banks participated in customer loaning. It exhibited the production of a model of borrowers' inner credit scores and the improvement of the strategies for further developing credit risk the executives in business banks.

Ishfaq (2015)) assessed the effect of credit hazard and liquidity risk the board on the benefit of store cash held by banks, it utilized yearly report from the period 2008-2012 from 26 business banks in Pakistan. With 130 perceptions, the specialist had used a board information model. Two distinct measurements that evaluate bank benefit are ROA and NIM. The analyst utilizes math mean, coefficient of variety, connection, and pattern examination to dissect the information and decide the result.

Gizaw, Selvaraj, and Kebede (2015) inspected the effect of credit risk on benefit of business banks. It stressed on improving credit risk the executives to keep up with the common productivity of business banks. It break down the capacity of the chose joint endeavor banks in reserve activation ,give idea and proposal based on examination .The board relapse model was utilized for the assessment of the model. In this model, Return on Value (ROE) and Return on Resource (ROA) were utilized as the execution pointers though Non-Performing Advances (NPL) and Capital Sufficiency Proportion

(Vehicle) as credit risk the board signs of the business banks. It underlined on upgrading credit risk the board to keep up with the common benefit of business banks. Duaka (2015) declared that bank benefit is contrarily affected by the degrees of credits and advances, non-performing advances and stores in this manner presenting them to extraordinary gamble of illiquidity and misery. Prior, Poudel (2012) investigated different boundaries appropriate to acknowledge risk the executives as they influence banks' monetary exhibition. The review uncovered that this multitude of boundaries conversely affected banks' monetary execution; in any case, the default rate is the greatest indicator of bank monetary execution. Business banks practice e acknowledge risk the board for careful advance examination, requesting security and really taking a look at the record of loan repayment of the borrowers (Afande, 2014). Gizaw, Selvaraj, and Kebede (2015) analyzed the effect of credit risk on productivity of business banks. It underlined on upgrading credit risk the board to keep up with the common benefit of business banks.

Khan and Sattar (2014) concentrated on the effect of changes in financing costs and bank benefit with regards to Pakistan. To assess the pattern of advance speculation assortment and exceptional and inspect the credit area wise, term wise, Improvement District wise. The study depends on auxiliary information from four business banks for the monetary year 2008 to 2012. The analyst recommended that the bank ought to charge low-financing costs and pay great premium to investors.

Abiola and Olausi (2014) dissected the effect of credit risk the board on the business banks execution in Nigeria. To examine the capacity of the chose joint endeavor banks in store preparation and give idea and proposal based on examination. The board relapse model was utilized for the assessment of the model. In this model, Return on Value (ROE) and Return on Resource (ROA) were utilized as the execution markers while Non-Performing Advances (NPL) and Capital Ampleness Proportion (Vehicle) as credit risk the board signs of the business banks. The discoveries have uncovered that credit risk the executives fundamentally affects the exhibition of the banks in Nigeria.

Al-Jafari and Alchami (2014) researched the determinants of bank benefit in Syria. The speculation was tried utilizing an example of 17 banks from the years 2004 to

2011 and the GMM approach. Expansion rate and bank benefit as characterized by ROA were displayed to have a positive and critical connection by the review, but genuine GDP development rate and bank productivity had a negative and huge relationship.

et al. (2013) inspected the determinants of bank productivity in Pakistan and in light of an example of 18 banks for the times of 10-years. It recognize the elements influencing the asset activation and analyze the presentation of the chose business banks concerning reserve assortment and assembly. The outcomes uncovered that there is a negative connection between interests spread and bank benefit in Pakistani business banks. Marshal and Onyekachi (2014) explored the impact of credit chance and bank execution in Nigeria for the time of 1997-2011 utilizing the time series, cross sectional and board information examination. The end was that expansion in advance and advances increments banks execution through premium pay created from credit and advance.

2.2.2 Review of national article

Chhetri (2021), led a review to look at the connection between credit risk and monetary execution of business banks in Nepal, utilizing board information from 17 banks over the time of 2015 to 2020. The review used graphic measurements, board relapse model and relationship framework to examine the information. The review inferred that non-performing credits adversely affect ROA, while capital sufficiency proportion and bank size adversely affect ROA. The credit to-store proportion has a positive yet not huge relationship with the ROA. The review expresses that bank should deal with their credit chance to help monetary execution.

Hakuduwal (2021) inspected the bank-explicit variables' impact on the monetary execution of Nepalese business banks. The board information from 2012 to 2018 was taken for the review and 16 business banks were taken as tests. The purposive inspecting strategy was utilized to choose the example banks. Relapse, F-test and t-test were utilized for examination in light of pooled least square strategy. This study uncovered that the all out resources and complete credit and advance altogether affect benefit. In like manner, complete value has no critical effect and the all out store essentially affects the productivity of business banks in Nepal. The review features

that the banks ought to use their resources, credits, stores appropriately and value for sound benefit of the bank.

Musah et al. (2018) estimated the loan cost spread by applying net revenue pay and net revenue edge and benefit of the bank utilizing ROA and ROE. This study utilized board information of 24 example banks for the ten-year time frames and depended on optional information taken from the yearly report of the bank. They observed that there is a positive and measurably huge relationship between loan cost spread and bank productivity with regards to Ghana. The discoveries could be deciphered with regards to Loanable Asset Hypothesis to propose that bank can charge a higher financing cost on loaning assuming interest for credits surpasses the stockpile to increment productivity.

Bhattarai (2016) inspected the impact of credit risk on execution of Nepalese business banks. The expressive and causal near research plans have been embraced for the review. The pooled information of 14 business banks for the period 2010 to 2015 have been broke down utilizing relapse model. The relapse results uncovered that non-performing credit proportion meaningfully affected bank execution. Notwithstanding credit risk pointers, bank size affected bank execution. Capital amplenness proportion and money save are not considered as the impacting factors on bank execution. This study presumed that there is huge connection between bank execution and credit risk pointers. Nepalese business banks have unfortunate credit risk the executives and consequently the banks need to follow reasonable credit risk the board and defending the resources of the banks and safeguard the interests of the partners

Bajracharya (2015), directed a concentrate on Asset Preparation of Joint Endeavor Keeps money (regarding Himalayan Bank Ltd. what's more, Nabil Bank Ltd. what's more, Everest Bank Ltd.). The goal of the review has been focus on evaluating the asset assortment and its activation in the joint endeavor banks particularly in NABIL, HBL and EBL. Her review has expected to demonstrate a valuable input to the business banks. A portion of the particular targets of the review are To break down the capacity of the chose joint endeavor banks in reserve preparation ,To recognize the variables influencing the asset mobilization,To give idea and proposal based on

examination. What's more, its significant Discoveries of this study are Normal proportion of money and bank equilibrium to add up to store uncovers that EBL had higher the proportion and NABIL had bring down the proportion in contrast with different banks which shows that the liquidity position of EBL is very well than different banks yet CV of HBL is lower than different banks which mean HBL has horse predictable proportion contrast with other banks, The normal credit and advance to add up to resources proportion shows that EBL appears to find success to activate its complete working asset as credit and advance in contrast with different banks. In any case, HBL is more predictable proportion than different banks, The typical obligation to value proportion show that HBL has the most noteworthy typical proportion than different banks that implies the monetary gamble of this bank is additionally high. All the JVBs have utilized inordinate measure of obligation.

Lama (2014), led A Near Investigation of Loaning Proficiency of NABIL and Nepal Speculation Bank Restricted. The primary target of the review is to investigate the main exhibition business banks. The particular targets are measure the bank's loaning strength and loaning efficiency, analyze the loaning commitment of premium from credit altogether profitability, compare the credit and advance benefit, stores piece of the business banks under study. The significant discoveries of this study are The complete resource for absolute obligation of NABIL has the most elevated ratio, The mean proportion isn't exceptionally strayed in correlation between the banks. NIBL has the least apportion anyway it is nearer to the joined mean proportion of the banks. The high proportion is because of high volume of investor value in the risk blend.

Timlsina (2014) analyzed the impact of credit risk on the exhibition of Nepalese business banks. The principal objective of the review is to test and affirm the adequacy of the determinants of business bank loaning conduct in Nepal by utilizing time series Conventional Least Square relapse approach for exact examination. From the relapse investigation, it was found that GDP and liquidity proportion of banks greatestly affect their loaning conduct As there is critical positive connection among Gross domestic product and confidential area credit of business banks.

Shrestha (2013), presented a postulation named Credit Strategy of Horticultural Improvement Bank of Nepal to Shankar Dev Grounds. The significant goals of this

study are To see loaning practice credit recuperation strategy, premium refund and markdown loan fee charged by ADBL, To look at the advance of ADBL area wise, term wise, Improvement Locale wise, To assess the pattern of advance speculation assortment and outstanding. The significant discoveries of the review analyst finds in this proposal are The all out advance payment of the advancement supporting expanded from Rs.8.89 billion in F/Y 2060/61 to Rs. 36.33 billion in F/Y 2067/68 enlistment a yearly development pace of Rs. 31.86 billion. The dispensing besides in the portfolio like water system, biogas and lodging and credit advancement the setback payment in water system is because of government strategy. The typical yearly development pace of advance payment is 31.86. Large piece of the term-wise credit dispensing covered by momentary credit, it covered 61% where 38% by medium term and just 1% of complete dispensed credit covered by long haul loan. Collection rate was most elevated in Tea and Espresso followed by advertising and least in water system. The typical yearly development pace of advance assortment is 35.91%.

Pandit (2013), directed a concentrate on Asset Assortment and Preparation of Business Keeps money with (Exceptional Reference to SCBNL and NABIL). The primary target of the review is focused on exploring the asset assortment and assembly in the business banks, particularly in NABIL and SCBNL. The Particular targets of the review are look at the exhibition of the chose business banks concerning store assortment and preparation, survey determinants of examined banks reserve assortment and activation in business banks, evaluate the development proportion of credit and advance and all out speculation with separate to development pace of complete store and net benefit on tested banks. The significant discoveries of this review are The typical proportion of return borrowed and advances of SCBNL is higher than NABIL. The inconstancy proportion of SCBNL is lower than NABIL. It appears SCBNL has stable return, The typical proportion of return on all out working asset of NABIL is more prominent than SCBNL. Though the changeability proportion of SCBNL is lower than NABIL. It shows that the profit from absolute working asset of SCBNL is steady.

The typical proportion of absolute revenue acquired to add up to working asset of SCBNL is higher than NABIL. SCBNL is more effective to acquire interest than NABIL. It uncovers that SCBNL is activating its functioning asset effectively so it

has high acquiring capacity, The normal proportion of complete interest paid to add up to working asset of SCBNL is lower than NABIL. It uncovers that SCBNL has not paid exorbitant interest as NABIL. ,SCBNL have been exceptionally effective in the event of assembling stores during the review time frame. Though stores state of NABIL is lower in contrast with SCBNL bank. So SCBNL is considered as a high liquidity delicate bank, SCBNL prepares low sum in credit and advance than NABIL bank.

Dawadi (2012), presented a proposition named Credit The board of Banking Organization (A Contextual investigation of ASSDBL) to Focal Division of TU. His examination goals are as follows applicable to credit. It To examine the administration of advance dispensing, dissect the recuperation the executives of dispensed credit, measure relationship between store assortment and credit payment ,measure connection between credit dispensing and recovery, The ADBL bank separates their credit payment sum in the classifications. The various advance class is incorporated such kinds of credits, which are not arranged uncommonly the most elevated mixture of the credit is dispensed in overdraft banking. In normal around 38% of the absolute advance dispensed in this category. The normal money and bank equilibrium of the bank is 12.67% with all out store, similar to this the standard deviation and coefficient of variety of this proportion are 1.76% and 13.96% is 56.76% where its standard deviation and coefficient of variety are 4.20% and 7.40% respectively. The normal money and bank equilibrium of the bank is 12.67% with all out store.

Table 1 Summary of Empirical Review

Article	Topic	Objective	Methodology	Finding
Syafrizal et al. (2023),	The Credit risk management on financial performance of capital adequacy ratio (CAR).	measure of a bank's capacity to cover all inherent risks in its earning assets, most of which take the form of loans	maintained capital adequacy ratio is crucial to the profitability of financial institutions	Risk management, reduces the borrowing costs, supports business expansion, ensures

					regulatory compliance, enhances investor confidence, and contributes to shareholder value.
(Kwashie et al., 2022),	The credit Loan Pricing Theory	To Measure the credit performance	To examine Banks that consistently set high lending rates borrowers are interested in taking out a loan.	Loan portfolio diversification and increase credit risk	
Siddique et al. (2021)	The issue of high non-performing loans	Credit risk management and bank-specific factors play a crucial role	Data collected from 19 commercial banks in Pakistan and India	The efficiency of new management on recovery of loan.	

Kishori and Sheeba (2017)	The impact of credit risk on the profitability of the bank.	The resources (deposits) mobilization of the bank.	The annual reports of the State Bank of India for twenty years .	The result showed that credit risk has a significant, negative impact on profitability.
Gizaw, Selvaraj, and Kebede (2015)	The impact of credit risk on profitability of commercial banks	It emphasised on enhancing credit risk management to maintain the prevailing profitability of commercial banks.	Suggestion and recommendation on the basis of analysis	Enhancing credit risk management to maintain the prevailing profitability of commercial banks
Samuel (2015)	The effect of credit risk on the performance of the Nigerian commercial banks..	The major association between bank performance and credit risk management.	They used Non-performing loan and loan & Advances ratios as the measure of credit risk and ROA as a measure of profitability	Total deposit negatively affect the profitability.
Han (2015)	Credit management experience and insufficiency of Chinese commercial banks	The performance of the selected commercial banks in terms of fund collection and	The basis of factor analysis of retail clients / borrowers in order to ensure predictive control of the	It demonstrated the creation of a model of borrowers' internal credit ratings and the

		mobilization.	level of risk.	development of the methods.
Alshatti (2015),	Effect of credit risk management on financial performance of the Jordanian commercial banks	The researcher recommends banks to improve their credit risk management to achieve more profits, in that banks	The dependent variables represent the profitability measured by ROA and ROE.	Significant effect on the financial performance
Bayyoud and Sayyad (2015)	Effect of credit risk on the performance of top five Nigerian commercial banks	Affects profitability of the bank and their outcomes functioned as the base to deliver policy measures to the stakeholders	The measure of credit risk and ROA as a measure of profitability	Major association between bank performance and credit risk management
Abiola and Olausi (2014)	Impact of credit risk management on the commercial banks	Analyze the ability of the selected joint venture banks in fund mobilization	The panel regression model was employed for the estimation of the model	Findings have revealed that credit risk management has a significant

		performance in Nigeria.			impact on the performance of the banks in Nigeria.
Eva Jaroslav (2014)	and Credit financial institutions	in Credit management policy is a comprehensive process	Credit management policy entails the mechanisms, standards and parameters that guide the bank officers in granting loans and managing the loan portfolio		Perceived risks resulting from some of the characteristics of clients, business conditions and economic environment in which they find themselves.
Raza et al. (2013)	determinants of bank profitability in Pakistan and based on a sample of 18 banks for the periods of 10-years.	To identify the factors affecting the fund mobilization	The results revealed that there is a negative relationship between interests spread and bank profitability in Pakistani commercial banks.		increase in loan and advances increases banks performance through interest income generated from loan and advance

Dawadi (2012),	Loan Management of Banking Company	analyze management of disbursement.	the loan disbursement. and recovery.	measure relationship between loan disbursement and recovery.	measure association between deposit collection and loan disbursement
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2.3 Research Gap

The literature review of above important writing has added to improve the basic comprehension and information, which is expected to make study significant and purposive. Numerous articles have been published regarding commercial bank investment policy loans and advances. There have been a number of studies done on the investment analysis and policy of commercial banks, as well as the impact and application of the NRB guideline in commercial banks. However, there have only been a few studies done on the lending aspect of commercial banks. However, no research has been conducted on the impact of loan management on profitability with Laxmi Bank, Siddhartha Bank Limited, or Kumari Bank Limited. As a result, the research aims to investigate this topic. The first study of these three banks in the subject matter is likely to focus on their risk management. Along these lines, this review will be productive to those intrigued individual gatherings researchers, teacher, understudies, finance manager and government for scholastically as well as strategy viewpoint. In addition to investigating the loan management system and financial performance, the purpose of this study was to report on the knowledge gap that existed between Nepalese bank account holders and researchers. This examination likewise gives proposals to how to oversee advance and deposit. So this study attempt to satisfied those closely involved individuals, researchers, educator, understudy, financial specialists, society and government for scholastically as well as strategy viewpoints.

CHAPTER-III

RESEARCH METHODOLOGY

The various aspects of the research project influence the research methodology. The research methodology for a given project is determined by a variety of factors, including its size, objective, impact, importance, time frame, and impact on various aspects of human life, among other things. This section incorporates the examination configuration, all out populace and chose test, wellspring of the information and the information gathering systems and exploration factors and the measurable methods.

3.1 Research Design

Research configuration is arranged design and system of examination imagined to get reply to investigate objective through investigation of information. The first step of the study is to gather the necessary data and information. Accordingly, research configuration implies the positive methodology and procedure, which directs the review and propounds ways or doing explore. In this manner a spellbinding and causal near research configuration will be finished.

The justification for choosing these methods is preferred because it avoids complex variables and includes reliable data and information that spans a significant amount of time. The study examines the loan management practices of the three commercial banks in Nepal. The exploration has its essential goal to sort out the issue in that and furnish them with some proposal. The post-thesis research and similar aspects of commercial banks were the focus of the literature review. The research uses secondary types of data..

3.2 Data Collection Procedures

The concern bank's annual report was obtained by visiting these banks in person, particularly their corporate offices. The personal visit of the concerned department of the NRB at Baluwatar yielded a collection of NRB publications, including the Quarterly, Economic Bulletin, Banking and financial statistics, Economic Report, and annual Report of the NRB, among other things. The Nepal Stock Exchange, the concerned commercial banks, and Nepal Rastra Bank websites provided the data on some aspects of these banks.

3.3 Population and Sample

Populace of interest is called target populace. In this study target populace is browsed financial industry. As of now there are 20 business banks working in Nepal. These banks are populace for the review and test of three banks are taken involving 77 irregular examining technique to accomplish targets .

Helpful testing methods have been embraced to lead this review. According to Baskota (2019) example is any number chosen to address the populace as indicated by some standard. Choosing an example implies choosing components from target populace for a definitive reason for reaching general determination about the whole number of elements. In the current setting, there are 20 business banks working in Nepal. Subsequently, taking into account these number of banks as all out populace, three business banks in particular, Siddhartha Bank Restricted (SBL), Kumari Bank Restricted (KBL) and Laxmi Bank Restricted (LBL), inside from these all out populace has been taken as test and attempted to accomplish the targets set out by examining the information.

Records with Nepal Rastra Bank (NRB) show that 20 business banks acquired the previously mentioned measure of benefits as of mid-December this year. The banks' benefits developed by Rs 7.63 billion out of one month during mid-November and mid-December. Out of the complete benefits of the 'A' class monetary foundations, around 29% was gotten by three banks. Fourteen banks remained with benefits worth more than Rs 1 billion.

List of Sample Commercial Banks

S.N	Name of Commercial Banks	Symbol
1	Kumari Bank Limited	KBL
2	Siddhartha Bank Limited	SBL
3	Laxmi Bank Limited	LBL

3.4 Nature and sources of data

Two types of data exist. This study is primarily dependent on the use of secondary data, which consists of annual reports of the concerned banks. In addition to the annual reports, various other sources of data have also been used for the purpose of the study plan documents, newspaper, magazine, economic journals, NRB reports, etc. Secondary data are those data that are collected by someone else or used already and made available to other in the form of published statistics. Secondary data are those data that are made available to other in the form of annual reports, periodicals, newspapers, magazines, Optional information is the information that as of now exists which has been gathered by some other person or association for their utilization, and is for the most part made accessible to other specialist free. Auxiliary information has been downloaded from www.nrb.org.np, an authority site of NRB. The historical data presented in the annual reports of Nepal Rastra Bank and commercial banks serve as the foundation for this study. Other sources of data include online and library-sourced journal articles, books, the Internet, newspaper and magazine articles, official statistics, and journal papers. However, secondary data may not always provide an answer to a particular research question.

3.5 Data analysis tools and techniques

To make the study more specific and reliable, the researcher uses following types of tools for analysis;

3.5.1 Arithmetic mean

The math mean or basic mean of set of perceptions in the amount of all the perception separated by the quantity of perceptions. It is the best worth, which Address to the entire gathering implies is the math normal of a variable. Arithmetic mean of a series is given by:

$$\bar{X} = \frac{\sum x}{N}$$

Where,

\bar{X} = Sum of the variables 'x'

N = No. of Observation

3.5.2 Standard deviation

The outright proportion of scattering, which is the disadvantage, is the standard deviation. Present in other extent of dispersing as it satisfied most of the requisites of a fair extent of dissipating. Standard deviation is portrayed as the positive square root of the mean as square of the deviation taken from the calculating mean. It estimates outright scattering and shows the reaches and size of deviations from the mean. Inconstancy and standard deviation are conversely relative. The information's deviation from the mean is known as scattering. To put it another way, it makes it simpler to check out at the fluctuation in the nature of the information. Determined as follows:

$$\text{Standard Deviation (S.D.)} = \frac{\sum(X-\bar{X})^2}{n}$$

3.5.3 Coefficient of variation (CV)

Standard deviation is the outright proportion of scattering. The general proportion of scattering in light of the standard deviation is known as the estimation of coefficient of standard deviation. The level of proportion of co-effectiveness of so is called co-efficient of variety. Less CV is the greater consistency and consistency as well as the other way around. Just standard deviation isn't proper to analyze two sets of factors yet additionally CV is competent to think about two factors in conditionally in terms of their changeability.

$$\text{Coefficient of Variation (C.V.)} = \frac{\text{S.D}}{\bar{X}} \times 100$$

3.5.4 Correlation coefficient (r)

The relationship between the free factor and the reliant variable is alluded to as the connection coefficient. It is a strategy for deciding the connection between these two factors. Assuming they are so related, the worth of the autonomous variable will change. Variable usage the change of the value of ward variable then having relationship coefficient.

$$\text{Correlation coefficient (r)} = \frac{n \sum XY - \sum X \cdot \sum Y}{[n \sum X^2 - (\sum X)^2][n \sum Y^2 - (\sum Y)^2]}$$

Where

r = correlation coefficient

n = Number of years

ΣX = Sum of X series

ΣY = Sum of Y series

ΣXY = Sum of X and Y series

ΣX^2 = Sum of square of X series

ΣY^2 = Sum of square of Y series

X and Y are financial variables of selected banks.

3.3.5 Regression Analysis

Break confidence evaluation is a quantifiable methodology used to show the connection between a dependent variable (regularly displayed as Y) and something like one free factors (for the most part gathered as X_1, X_2, \dots, X_p). Its important goal is to make heads or tails of how the dependent variable changes when something like one free parts are moved.

Central Straight Fall away from the confidence

In central straight break confidence, there is only a solitary free part X and one ward variable Y. The connection between them is shown as a brief breaking point:

$$Y = \beta_0 + \beta_1 X$$

where:

- Y is the dependent variable (response variable),
- X is the independent variable (predictor variable),
- β_0 is the intercept (the value of Y when $X = 0$),
- β_1 is the slope (the change in Y for a unit change in X),

Multiple Regression Analysis

Relapse examination is a bunch of measurable cycles for assessing the connections among factors. It incorporates numerous strategies for displaying and dissecting a few factors, when the emphasis on the connection between a reliant variable and at least

one free factors (or 'indicators'). All the more explicitly, relapse examination assists one with figuring out how the commonplace worth of the reliant variable (or 'standard variable') changes when any of the autonomous factors is fluctuated, while the other free factors are held fixed. This study the principal objective of assessing influence the worth of ward variable (credit and advances) from the worth of numerous autonomous factors (complete resources, all out store and speculation).

Relapse condition of Y (credit and advances) on Store, Complete Resources and Venture.

Model 1

It has used to test the relationship between independent variables and dependent variable.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_p X_p$$

where:

- Y is the dependent variable,
- X_1, X_2, \dots, X_p are the independent variables,
- β_0 is the intercept,
- $\beta_1, \beta_2, \dots, \beta_p$ are the coefficients (slopes) corresponding to each independent variable X_1, X_2, \dots, X_p ,

3.5.6 Cash and Bank Balance of Total Deposit Ratio

This ratio is computed by dividing cash and bank balance by total deposit. This is computed as,

$$\frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Money and bank balance remembers cash for hand unfamiliar money close by; checks and other money things offset with homegrown bank and unfamiliar bank. Current and fixed deposits, money at calls, short notice deposits, and other deposits make up the total deposit.

3.5.7 Total Investment to Total Deposit Ratio

Speculation is one of the significant parts of credit made to acquire benefit. This suggests the use of company's store on interest in government protections and offers, debenture of different organizations and bank. This proportion can be determined as,

$$\frac{\text{Total Investment}}{\text{Total Deposit}}$$

The numerator Total Investment consists of investment on government securities, investment on debentures, share in other companies and other investment.

3.5.8 Liquidity Risk Ratio

This proportion estimates the degree of hazard related with the fluid resources for example cash, bank balance that are saved in the bank to fulfill the store interest for cash. Liquidity risk is lower when the ratio is higher. Divide the total cash and bank balance by the total deposit to get this ratio. It very well may be registered as:

$$\frac{\text{Total Cash and bank Balance}}{\text{Total Deposit}}$$

3.5.9 Return on Total Working Fund Ratio

This proportion shows the general benefit of all functioning asset for example all out resources, it is otherwise called Return on Resources (ROA). A firm needs to procure palatable profit from resources of working asset to long haul administration. This proportion is determined by partitioning net benefit (shortfall) by absolute working asset. It tends to be determined as,

$$\frac{\text{Net Profit(loss)}}{\text{Total Working Fund}}$$

3.5.10 Credit Risk Ratio and Provisioning

Credit Risk Ratio

The probability of a credit not being reimbursed or of a lower-quality speculation defaulting brings about a misfortune for the bank, as estimated by this proportion. The credit risk proportion is characterized as the proportion of complete credits and advances to the level of non-performing credits.

The proportion can be figured as:

Non performing Loans
Total Loans and Advances

Research Framework

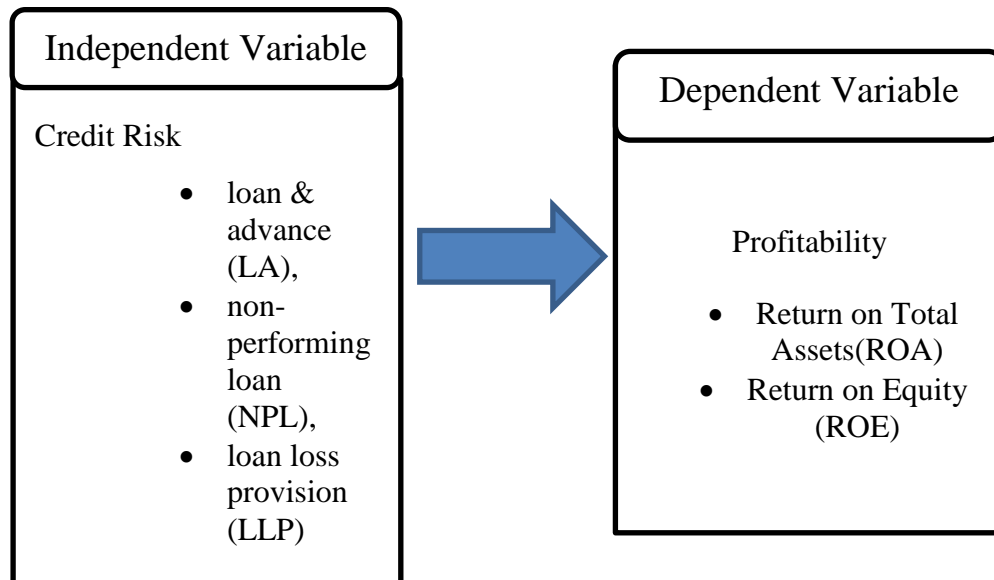
An assessment structure overall beginnings from existing data inside the field of study. Coming up next are a few traditional wellsprings of assessment frameworks research structure source are as:

1. Theory: Regularly, Assessment structures on spread out speculations gigantic of credit risk the board and profitabilities of business bank in Nepal. Hypotheses give worked with explanations and infers that guide the assessment approach and interpretation of disclosures.
2. Literature Study: A thorough overview of existing making sees openings, floats, and spread out plans or models are used in assessments. This review illuminates the improvement concerning one more arrangement or change of existing ones.
3. Conceptual Framework : These are structures made by scientists to address hypothetical examinations and relationship in a particular field. Its fortitude interpretation of, progress, or bearing chose models to shape the clarification of their own assessment frameworks.
4. Research Sales and Focuses on: The specific requests and central places of a survey can correspondingly shape its turn of events. Its help to arranging the examination and sorting out what factors or factors to audit for the design.
5. Fundamental Considerations: The evaluation methodologies and procedure influence the advancement also. For instance, quantitative evaluations could include surprising designs on the other hand, with hypothetical ones, and mixed systems studies could work with various plans.
6. Conventional Considerations: Dependent upon the suitable pieces of the assessment, as open data, resources, and time goals, the arrangement could ought to be changed by fit these places.

In summation, the wellspring of an assessment structure is basically the relationship of existing data, speculations, models, and the specific necessities and indications of the guaranteed survey. It looks out for a coordinated strategy for administering guide

the assessment effort and give inspiration to understanding and discussion of openings.

A research framework offers a foundation framework or model to support our group's research effort



Research framework

Introduction to variables

Credit Risk

A bank is a business that handles cash. Cash is the most fluid resource and is viewed as a bank's line of safeguard. To meet the financial necessities of contributors, the bank ought to keep a particular measure of money close by. To mirror the connection between bank productivity and credit, the factors like credit to store proportion, resource quality, credit chance and expansion rate are utilized as a proportion of liquidity.

Loan and advance (LA): In bookkeeping and monetary detailing, "Credit and Advance" is a consolidated class that addresses the aggregate sum of cash reached out by the foundation as the two credits and advances. This figure is significant for surveying the monetary strength of the establishment, understanding its openness to credit risk, and assessing its loaning exercises.

Non-performing credit (NPL): A "Non-Performing Advance (NPL)" suggests a credit that is in default or close being in default. With everything taken into account, it's a

credit where the borrower has stopped making portions of revenue as well as head repayments. The particular importance of a NPL can contrast to some degree among districts and foundations, but it overall consolidates credits that are past due by a basic period (e.g., 90 days or more) or where there are inquiries concerning the borrower's ability to repay.

Loan loss provision (LLP): A credit misfortune arrangement (LLP), otherwise called a plan for credit misfortunes or settlement for credit misfortunes (ALL), is an accounting methodology that is utilized to address potential misfortunes that a monetary establishment could find because of advances that probably won't be repaid. A credit misfortune arrangement is a fundamental piece of monetary administration for banks and other monetary establishments since it mirrors their endeavors to oversee and lessen acknowledge risk related for loaning.

Profitability Ratio

The profitability ratio is one of the important indicators of operating efficiency. The profitability ratio is the best indicator of the overall efficiency of the bank.

Return on Total Assets (ROA) :

Return on Total Assets (ROA) is a financial extent that activities an association's advantage near with its full scale assets. It shows how gainfully an association is using its assets for make benefit. Still up in the air as:

$$\frac{\text{Net Profit(loss)}}{\text{Total Working Fund}}$$

Return on Equity(ROE) :

Return on Value (ROE) is a monetary proportion that actions the productivity of an organization comparable to its investors' value. It shows how really an organization is utilizing its value (investors' venture) to create benefit. The equation for Return on Value is:

$$\text{ROE} = \text{Net Income After Tax} / \text{Share Holder Equity}$$

CHAPTER-IV

RESULTS AND DISCUSSION

The primary objective of this chapter is to use the most important financial and statistical tool to analyze and evaluate the data. An effort has been made to highlight the KBL, LBL, and SBL's credit management, as well as other cases and issues, with the assistance of this analysis. For the examination, the specialist utilizes the various sorts of insightful techniques and instruments like monetary proportion investigation and factual investigation.

4.1 Financial Analysis

Regarding the construction of resources, liabilities, and proprietor's value, the monetary record and benefit and misfortune account portray what is happening on a particular date. The benefit and misfortune account likewise portrays the benefit procured and misfortune supported throughout a particular time span. The monetary investigation assists with getting better comprehension of uncompromising stance's and execution. The initial step includes choosing the data, second step includes orchestrating the data in a manner to feature huge connections, the last step is understanding and making of determination.

4.1.1 Current Ratio

The ongoing proportion demonstrates the capacity of the bank to meet its ongoing commitment. It estimates the liquidity position of monetary foundations. Current proportion is determined by partitioning current resources by current liabilities. The ongoing proportion of KBL, LBL and SBL is under examination in the accompanying table.

Current Ratio
(Ratio in Times)

Table 2

Fiscal Year	KBL	LBL	SBL
2018/19	1.96	1.23	1.07
2019/20	1.54	0.92	1.07
2020/21	1.17	0.92	1.01
2021/22	1.21	1.09	0.81
2022/23	1.17	0.95	1.17
Mean	1.41	1.02	1.02
S.D	0.31	0.12	0.12
C.V	21.95	12.01	11.54

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 2 presents the ongoing proportion of the banks KBL LBL and SBL during the last five monetary years 2018/19 to 2022/23. From the table, it very well may be seen that the ongoing proportion of KBL is in fluctuating patterns and gone from 1.17 times in monetary year 2022/23 to 1.96 times in financial year 2018/19. Essentially, the ongoing proportion in LBL is additionally in fluctuating patterns and gone from 0.92times in financial year 2019/20 to 1.23times in monetary year 2018/19. Moreover in SBL the ongoing proportion is in fluctuating patterns. The ongoing proportion of SBL is gone from 0.81 times to 1.17 times in monetary year 2021/22 and 2022/23 separately.

The typical proportion kept up with by KBL LBL and SBL is 1.41 times, 1.02times and 1.02 times separately. This shows that KBL has kept up with tad more current resources than LBL and SBL to meet the commitment of current liabilities. However the ideal norm of current proportion ought to be 2:1, the ordinary proportion of liabilities isn't appropriate in financial area. Banking business holds tremendous piece of store as a center store and this store stays constantly over time. This center store shapes the proper risk on the bank however it is current in nature. So the proportion kept up with by business banks at the degree of around 1:1 can be viewed as great and adequate to meet the ordinary possibilities. Accordingly, the above current proportion

examination of the banks over the five years time span demonstrates that the banks have acceptable risk position.

4.1.2. Cash and Bank Balance to Total Deposit Ratio

The availability of a bank's highly liquid or immediate funds to meet its unexpected calls on all deposits is measured by this ratio. This proportion is figured as Money and Bank Equilibrium separated by all out store. A high proportion shows the more noteworthy capacity to meet their stores as well as the other way around. The ratio of KBL, LBL, and SBL's cash and bank balance to total deposits is shown in the table below. The following table provides assistance in the analysis and presentation of the ratios:

Cash and Bank Balance to Total Deposit Ratio

(Ratio in %)

Table 3

Fiscal Year	KBL	LBL	SBL
2018/19	15.63	14.40	11.92
2019/20	6.88	16.24	8.83
2020/21	16.93	28.83	16.60
2021/22	13.46	32.43	12.28
2022/23	17.75	30.77	20.41
Mean	14.13	24.53	14.01
S.D	3.90	7.63	4.05
C.V	27.64	31.10	28.88

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The ratio of KBL, LBL, and SBL's total deposits to their cash and bank balances is shown in Table 3 for the fiscal years 2018/19 to 2022/23. The ratio of KBL has fluctuated, ranging from 6.88% in 2019/20 to 17.75% in 2022/23. Additionally, the proportions in LBL are likewise in expanding patterns besides in monetary year 2022/23 and went from 14.40% in the financial year 2018/19 to 32.43% in the monetary year 2022/23. The SBL proportions has fluctuating pattern from financial year 2018/19 to 2022/23. The typical money and bank equilibrium to add up to store proportion of KBL, LBL and SBL are 14.13%, 24.53% and 14.01% separately. Therefore it can be concluded that the cash and bank balance of LBL with

regard to store is better against the status to serve its client's store than KBL and SBL. It suggests that better liquidity position of LBL. In contrast, a high ratio of non-earning cash to bank balance may be unsuitable, indicating that the bank cannot invest its funds in areas that generate income. Subsequently LBL should put resources into additional useful areas like transient attractive protections, depository bills and so on safeguarding sufficient liquidity which will assist the save money with working on its benefit. The Money and Bank Equilibrium to add up to store of the example banks and the financial business has likewise been introduced through the assistance of figure underneath:

4.1.3 Total Investment to Total Deposit Ratio

A business bank might prepare its store by putting its asset in various protections gave by government and other monetary and non-monetary organizations. Presently exertion has been made to quantify the degree to which the banks are effective in preparing the all out store on venture. A high proportion is the sign of high accomplishment to prepare the financial asset as venture as well as the other way around.

Total Investment to Total Deposit Ratio

(Ratio in %)

Table 4

Fiscal Year	KBL	LBL	SBL
2018/19	13.18	18.70	12.14
2019/20	20.80	19.68	11.76
2020/21	13.38	7.02	13.13
2021/22	16.33	4.09	15.75
2022/23	11.48	2.10	9.40
Mean	15.03	10.32	12.44
S.D	3.67	8.29	2.31
C.V	24.40	80.37	18.54

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 4 shows the venture to add up to store proportion of KBL, LBL and SBL during the monetary year 2018/19 to 2022/23. The table uncovers that the KBL's complete venture to add up to store proportion has vacillated pattern and gone from 11.48% in the monetary year 2022/23 to 20.80% in the financial year 2019/20. While

the LBL has diminishing pattern in the proportion all through the audit period besides in monetary year 2022/23 , its most noteworthy proportion is 19.68% in the financial year 2019/20 and the least proportion of 2.10% in the monetary year 2022/23. In the event of SBL the absolute speculation to add up to store proportion has expanding pattern up to monetary year 2022/23 and reduction for last financial year. The most noteworthy proportion is 15.75% in the monetary year 2021/22 and the least proportion of 9.40% in the financial year 2021/22.

According to mean proportion perspective, KBL's ability to assemble their store on all out speculation is most elevated among the three banks; KBL has the most noteworthy mean proportion of 15.03%, then, at that point, after SBL with the mean proportion of 12.40%. Also, the LBL has the least mean proportion of 10.32% among the three.

From the above examination we can infer that KBL is the best and LBL is the most ineffective among the three banks to use its assets as a venture perspective.

4.1.4 Return on Total Assets Ratio (ROA)

This ratio measures the earning capacity of the commercial banks through its fund mobilization as loan and advances. A high ratio indicates greater success to mobilize fund as loan and advances and vice-versa.

Return on Total Assets

(Ratio in %)

Table 5

Fiscal Year	KBL	LBL	SBL
2018/19	2.14	5.95	1.45
2019/20	1.72	6.38	1.69
2020/21	1.56	2.81	1.63
2021/22	1.50	1.66	2.09
2022/23	1.56	1.71	2.58
Mean	1.70	3.70	1.89
S.D	0.23	2.06	0.40
C.V	13.77	55.54	21.35

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The relative table 5 shows the profit from credit and advance proportion of KBL, LBL and SBL during the financial year 2018/19 to 2022/23. The KBL's proportions are in fluctuating pattern up to the review period. KBL has the most noteworthy proportion of 2.14% in the financial year 2018/19 and the least proportion is 1.50% in the monetary year 2022/23. While, the LBL's proportion has changed during the review time frame and went from 1.66% in the monetary year 2021/22 to 6.38% in the financial year 2018/19.

Likewise, SBL has a rising pattern in its proportion, its most elevated proportion is 2.58% in monetary year 2021/22 and the least proportion is 1.45% in financial year 2018/19. Looking at the mean profit from credit and advance proportion LBL has the most elevated mean proportion of 3.70% followed by SBL with 1.89% then KBL with 1.70%. The mean proportion determine that LBL has been fruitful in keeping up with its better yield borrowed and progresses in contrast with other two banks under study, Convincingly, we can say that LBL has better yield borrowed and propels in contrast with KBL and SBL.

4.1.5 Return on Equity Ratio (ROE)

Return on total equity ratio measures the profitability with respect to each financial resources investment of bank's assets. If the bank's total working fund is well managed and effectively utilized, the return on such assets will be higher.

Return on equity ratio

(Ratio in %)

Table 6

Fiscal Year	KBL	LBL	SBL
2018/19	1.75	5.26	1.17
2019/20	1.48	5.75	1.44
2020/21	1.25	2.52	1.28
2021/22	1.15	1.38	1.65
2022/23	1.23	1.39	1.97
Mean	1.37	3.26	1.50
S.D	0.22	1.89	0.29
C.V	15.87	57.85	18.99

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 6 depicts that the profit from working asset of KBL is in a diminishing pattern besides in monetary year 2022/23. The most elevated proportion is 1.75% in financial year 2017/18 and the least is 1.15% in monetary year 2021/22. Though, the profit from working asset of LBL has a fluctuating pattern. LBL has the most elevated proportion of 5.75% in the financial year 2019/20 and the least proportion of 1.38% in the monetary year 2021/22. Comparatively SBL has additionally the fluctuating pattern in its proportions the most noteworthy proportion noticed is 1.97% in the financial year 2022/23 and the least in the monetary year 2020/21 with 1.28%.

Through the point of view of mean proportion LBL has the most elevated mean proportion of 3.26% followed by SBL with 1.50% then by KBL with 1.38%. From this examination it appears to be that LBL with its most elevated mean among the three banks can acquire high benefit on all out working asset resources. Indisputably, from the above investigation of return on all out working asset proportion made among the three banks KBL, SBL and LBL we can say that LBL has better yield on all out working asset.

4.1.6 Net Profit to Loan and Advances Ratio

Net profit to loan and advance Ratio measures the income as interest from total loan and advances. Interest income could be increased by embracing good issuing and recovery credit policy. High return shows the soundness of credit policy.

Net profit to loan and advance ratio

(Ratio in %)

Table 7

Fiscal Year	KBL	LBL	SBL
2018/19	12.67	13.97	12.12
2019/20	15.40	15.42	14.63
2020/21	13.86	15.08	14.37
2021/22	12.72	11.97	12.55
2022/23	11.01	9.26	11.24
Mean	13.13	13.14	12.98
S.D	1.45	2.29	1.31
C.V	11.06	17.39	10.11

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 7 uncovers the absolute premium acquired to add up to credit and advances proportion of KBL, LBL and SBL during the financial year 2022/23. KBL has expanding pattern up to financial year 2018/19 and afterward it has diminished in monetary year 2022/23. The most elevated proportion of KBL is 15.40% in monetary year 2019/20 and the least is 11.01% in financial year 2022/23. Likewise, the proportions of LBL is in expanding pattern besides in financial year 2018/19 and the most elevated proportion is 15.42% in monetary year 2019/20 and the least is 9.26% in monetary year 2022/23. In the event of SBL the complete revenue procured to add up to credit and advances proportion has expanding pattern besides in financial year 2018/19. The most elevated proportion of SBL is 14.63% in monetary year 2018/19 and the least is 11.24% in financial year 2022/23.

Processing through the mean absolute revenue procured to add up to credit and advances proportion perspective LBL has the most noteworthy mean all out interest to add up to credit and advances proportion of 13.14%. Though, KBL is stand second with mean proportion 13.13%. SBL has the most un-mean proportion of 12.98%. Definitely, we can say that LBL is producing more pay through credit and advances than KBL and SBL.

4.1.7 Liquidity Risk Ratio

The bank's liquidity risk identifies the deposit's liquidity requirement. The indicator of a bank's need for liquidity is the ratio of cash and bank balance to total deposit. Money and bank balance are considered as banks liquidity sources and stores as need might arise. A lower risk and higher profit are both associated with a higher liquidity level. The proportion is registered by separating fluid resources or money and bank balance by all out store. Through the assistance of following table Money and Bank Equilibrium to Add up to Store Proportion has been introduced:

liquidity risk Ratio

(Ratio in %)

Table 8

Fiscal Year	KBL	LBL	SBL
2018/19	15.63	14.40	11.92
2019/20	6.88	16.24	8.83
2020/21	16.93	28.83	16.60
2021/22	13.46	32.43	12.28
2022/23	17.75	30.77	20.41
Mean	14.13	24.53	14.01
S.D	3.90	7.63	4.05
C.V	27.64	31.10	28.88

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 8 shows the money and bank equilibrium to add up to store proportion of KBL, LBL and SBL during the monetary year 2018/19 to 2022/23. The table uncovers that the capacity of LBL to cover its transient stores is superior to KBL and SBL. During the investigation of five years time span, the proportion of KBL was gone between 6.88% in 2019/20 to 17.75% in 2022/23 though proportion of LBL is run between 14.40% in 2017/18 to 30.77% in 2022/23. Additionally, the SBL liquidity risk proportion has fluctuating from the review time frame, its most elevated proportion is 20.41% in monetary year 2022/23 and the least is 8.83% in the financial year 2019/20.

LBL has the most noteworthy mean proportion of 24.53% followed by KBL with 14.13% then SBL with the least mean proportion of 14.01%. Convincingly, we can say that LBL has kept up with higher liquidity which would clearly results lower benefit than KBL and SBL. While SBL has minimal liquidity among the three saves money with stable liquidity risk proportion, and that implies SBL has faced higher challenge than the other two banks under study for the higher benefit.

4.1.8 Credit Risk Ratio and Loan Loss Provisioning

Credit Risk Ratio

Bank utilizes its collected fund in providing credit to different sectors. While making the investment, bank examines the credit risk involved in the project which may be the risk of default or the non-payment of loan.

Non Performing Loans to Total Loans and Advances Ratio

(Ratio in %)

Table 9

Fiscal Year	KBL	LBL	SBL
2018/19	0.54	4.53	0.53
2019/20	1.15	3.14	0.79
2020/21	2.27	4.22	1.52
2021/22	4.01	5.21	2.39
2022/23	4.19	4.37	2.75
Mean	2.43	4.29	1.60
S.D	1.47	0.67	0.87
C.V	60.58	15.58	54.29

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 9 uncovers that the KBL's credit risk proportions are in expanding pattern from financial year 2018/19 to 2022/23 and the proportion went from 0.54% in the monetary year 2018/19 to 4.19% in the financial year 2022/23. While the proportions of LBL are in fluctuating pattern with most noteworthy proportion 4.37% in monetary year 2022/23 and the least is 3.14% in financial year 2019/20. The proportions of SBL are in expanding pattern and the proportion has gone from 0.53% in the financial year 2018/19 to 2.75% in the monetary year 2022/23 .

The normal non performing credit to add up to advance and propel proportion of KBL, LBL and SBL is 2.43%, 4.29% and 1.60% individually. Through the mean proportion perspective, LBL has the most elevated non performing credit to add up to credits and advances proportion with 4.29% in contrast with KBL with 2.43% and SBL with 1.60%.

4.1.9 Loan Loss Provision to Total Loan and Advances Ratio

Credit misfortune arrangement to add up to credit and advances depicts the nature of resources that a bank holding. How much credit misfortune arrangement is monetary record alludes to general advance misfortune arrangement. The increasing likelihood of non-performing loans is reflected in the provision for loan loss. A low ratio indicates that the assets in the total volume of loans and advances are of high quality, whereas a high ratio indicates that the assets in the total volume of loans and advances are more risky.

Loan Loss Provision to Total Loan and Advances Ratio

(Ratio in %)

Table 10

Fiscal Year	KBL	LBL	SBL
2018/19	1.36	3.92	1.45
2019/20	2.05	4.91	1.43
2020/21	2.76	7.07	1.93
2021/22	3.87	8.33	2.75
2022/23	4.16	6.50	2.94
Mean	2.84	6.15	2.10
S.D	1.06	1.56	0.64
C.V	37.37	25.45	30.31

Source: Annual Reports of KBL, LBL and SBL and Appendix I,II and III.

The table 10 uncovers the credit misfortune arrangement to add up to advance and advances proportion of KBL, LBL and SBL during the financial year 2018/19 to 2022/23. The KBL's credit misfortune arrangement to add up to credit and advances proportions are in expanding pattern. The most elevated proportion is 4.16% in financial year 2022/23 and the least proportion is 1.36% in 2018/19. Additionally, the credit misfortune arrangement to add up to advance and advances proportions of LBL are likewise in expanding pattern besides in monetary year 2018/19 and the proportions are gone from 3.92% in the financial year 2018/19 to 8.33% in the financial year 2021/22. As like KBL and LBL, the proportions of SBL are in expanding pattern with the most elevated proportion 2.94% in monetary year 2022/23 and the least is 1.43% in financial year 2019/20.

Contrasting their mean credit misfortune arrangement with complete advance and advances proportions, LBL (6.50%) has the higher mean proportion than KBL (2.84%) and SBL (2.10%). The mean proportion of LBL has higher than KBL and SBL, it implies that the organization has forever been provisioning higher than KBL and SBL. For the most part, expansion in this proportion recommends the expansion in the non-performing advances, which could bring about addressing about the viability in the credit strategy of the organization.

4.1.10 Descriptive statistics

Descriptive statistics include the minimum value, maximum value, mean value, and standard deviation for three commercial banks for 150 observations from 2018 to 2023. Profitability is the dependent variable in this table, while the independent variables are Return on Equity, Return on Assets, Credit to Deposit, Asset Quality, and Liquidity Ratio.

Table 11

Descriptive statistics of the variables Variables

Variables	N	Mean	Standard Deviation	Minimum	Maximum
ROE	150	15.786	9.3812	-6.07	76.9599
ROA	150	12.7252	3.6262	-9.35	23.68
CDR	150	15.1799	8.8987	3.05	37.52
AQ	150	30.6171	7.5529	20.1	57.44
LQ	150	0.6927	0.5734	0.008	2.68

As per Table 11, the normal ROE number is 15.786 percent, the value of business banks created an arrival of 15.786 percent. Rather than the administrative necessity of the NRB guideline, which is 11%, the base capital sufficiency proportion is - 9.35 percent, which is incredibly low. The typical Vehicle, in any case, is 12.7252 percent, which surpasses the NRB's legitimate edge. The expected administrative least money save proportion is 4%, though the genuine proportion is 3.05 percent. This could be deciphered as a break of Nepal Rastra Bank's (Nrb's) requiring business banks to keep up with CDR..

4.1.11 Co-efficient of Correlation Analysis

The connection between's the autonomous and subordinate factors has been talked about and introduced in this part. The level of straight relationship between two factors is estimated by their connection. The Pearson Product Moment of Correlation Coefficient was utilized in this investigation to ascertain the connection that existed between the dependent and independent variables. A correlation coefficient of -1 indicates a perfect negative relationship, while a correlation coefficient of +1 indicates a perfect positive relationship. A correlation coefficient of zero indicates that there is no linear relationship between the two variables. In this study, loan and advance, non-performing loan, and loan loss provisions are the dependent variables, while net profit is the independent variable.

Pearson correlation coefficients of study variables

Table 12

	LA	NPL	LIP	NP
LA	1			
NPL	0.466** (0.009)	1		
LIP	0.719** (0.000)	0.924** (0.000)	1	
NP	0.848** (0.000)	0.287*** (0.125)	0.480** (0.007)	1

** . Correlation is significant at the 0.01 level (2-tailed)

(Source: SPSS version 23)

Source: Appendix-VI

Table 12, uncovers the connection test between both reliant and free factors utilizing relationship coefficient lattice. The connection test shows that credit and advance (LA) has huge connection with non-performing credit (NPL) in 1% degree of importance with relationship coefficients 0.466 which intends that there is moderate level of positive relationship among's advance and advance and non-performing

advance. Simultaneously, credit and advance (LA) has critical connection with advance deficit arrangement (LLP) and net benefit (NP) in 1% degree of importance. Similarly, there is immaterial positive connection between's non-performing advance and net benefit for example 0.287. In addition, the correlation matrix demonstrates a significant positive correlation of one percent significance between a non-performing loan and loan loss provision. The correlation between loan loss provision and net profit is also 0.480, which is significant at 1%.

4.1.12 Regression analysis

It incorporates numerous strategies for displaying and breaking down a few factors, when the emphasis is on the connection between a reliant variable (ROA) and free factors (credit and advance, non-performing credit, credit misfortune arrangement).

Table 13

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
I	.890a	.792	.768	441.34540	.953

a. Predictors: (Constant), LLP, LA, NPL

b. Dependent Variable: ROA

Table 13, shwos the various relapses co-effective R square is an outline measure that tells how well the example relapse line fits the information. With regards to relapse investigation, fluctuation alludes to the changeability or spread of the reliant variable's qualities around its mean. In particular, the statement "79.2 percent of the variance in the dependent variable" refers to the proportion of the regression model's return on total assets (ROA) variability that is explained by the regression model's independent variables (loan & advance (LA), non-performing loan (NPL), and loan loss provision (LLP)).

R Square (R^2): This measurement, otherwise called the coefficient of assurance, goes from 0 to 1. It shows the extent of the difference in the reliant

variable profit from complete resources (ROA) that is unsurprising or made sense of by the free factors (LA, NPL, LLP) in the relapse model.

Understanding: A R^2 of 0.792 implies that 79.2% of the complete difference consequently on all out resources (ROA) can be made sense of by the autonomous factors LA, NPL, and LLP in the relapse model.

Changed R Square: This changes R^2 for the quantity of free factors in the model, giving a more exact proportion of how well the model fits the information. For this situation, the changed R^2 is 0.768, demonstrating that in the wake of adapting to the quantity of indicators, 76.8% of the fluctuation consequently on complete resources (ROA) is made sense of by the model.

Suggestion: A higher R^2 (more like 1) shows that the model gives a superior fit to the information, implying that a bigger extent of the fluctuation consequently on complete resources (ROA) is represented by the factors LA, NPL, and LLP. In this present circumstance, 79.2% (or 0.792) of the vacillation suggests that these independent elements overall effect around 79.2% of the movements subsequently on full scale assets (ROA) found in the statement "79.2 percent of the adjustment of the dependent variable" infers that the backslide model with LA, NPL, and LLP as markers gets a handle on 79.2% of the change found in kind on outright assets (ROA). This demonstrates areas of strength for a between the free factors and the reliant variable in the relapse examination. Under the accompanying relapse yields, the beta coefficient might be negative or positive; beta demonstrates that every factors' degree of impact on the reliant variable. P-worth or importance esteem demonstrates at which rate or precession level of every variable is huge. R^2 Qualities show the logical force of the model and in this study changed R^2 worth, which considers the deficiency of level of opportunity, related with adding additional factors were deduced to see the illustrative powers of the models.dataset.

Table 14

Analysis of variance

ANOVA Table

Source	Sum of Squares(SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	P-value
Regression	3.572	4	0.893	5.217	.002
Residual	7.702	45	0.171		
Total	11.274	49			

Dependent Variable: ROA

The regression model is given by:

$$Y = \beta_0 + \beta_1 LA + \beta_2 NPL + \beta_3 LLP$$

Where:

- Y is the predicted return on total assets (ROA)
- LA, NPL, LLP are the independent variables.
- $\beta_0, \beta_1, \beta_2, \beta_3$ are the regression coefficients

Table 14 shows that the autonomous factors are not genuinely critical in anticipating the benefits or influencing the benefits of the banks. The study found a statistically significant relationship with a significance level of $p=0.002$ or less than 0.05..

Table 15

Regression coefficient of independent variables on return on assets

Variables	Coefficients	t-statistics	p-value	Collinearity Statistics	
				Tolerance	VIF
(Constant)	510.246	2.550	.017		
LA	.034	7.020	.000	.215	4.650
NPL	.756	2.167	.040	.065	15.341
LLP	-.932	-2.679	.013	.040	24.859

Dependent Variable: ROA

The capture worth of the reliant variable, net benefit, and the relapse coefficients for the example banks' credit and advance, non-performing endlessly advance deficit arrangement factors are displayed in Table 15. Return on complete resources (ROA) seems, by all accounts, to be the reliant variable (DV) in the gave table, with three free factors (IVs) being thought about: "LA" (probably Credits Progressed), "NPL" (Non-Performing Advances), and "LLP" (Advance Misfortune Arrangement). Coefficients: These address the assessed relapse coefficients for every free factor in the model.

- Steady: The block of the relapse condition when all autonomous factors are zero. Here, the steady is 510.246.
 - LA: Coefficient for the variable "LA" is 0.034. This proposes that for a one-unit expansion in "LA," the profit from complete resources (ROA) is expected to increment by 0.034 units, holding different factors steady.
 - NPL: Coefficient for "NPL" is 0.756. This shows that for a one-unit expansion in Non-Performing Credits, net benefit is supposed to increment by 0.756 units, holding different factors steady.
 - LLP: Coefficient for "LLP" is - 0.932. This proposes that for a one-unit expansion in Credit Misfortune Arrangement, return on all out resources (ROA) is supposed to diminish by 0.932 units, holding different factors steady.
1. t-insights: These qualities show the t-measurement related with every coefficient, which is utilized to test the factual meaning of every coefficient.
 - A higher outright t-measurement esteem, (for example, 7.020 for "LA") for the most part shows that the coefficient is genuinely huge.
 - The t-insights are utilized to work out the relating p-values.
 2. p-values: These qualities (e.g., 0.000, 0.040, 0.013) show the likelihood of noticing the t-measurement if the invalid speculation (that the coefficient is zero) is valid.

- A p-esteem under a picked importance level (frequently 0.05) recommends that the coefficient is genuinely critical.

3. Collinearity Insights:

- Resilience: This actions the multicollinearity of every free factor with the other autonomous factors in the model. Resistance esteems near 1 demonstrate low collinearity.
- VIF (Difference Expansion Component): This is the equal of resilience and gives a proportion of how much the fluctuation of an expected relapse coefficient is expanded because of collinearity with other free factors. A VIF esteem more prominent than 10 is much of the time thought about demonstrative of multicollinearity.
- For instance, "LA" has a resistance of 0.215, proposing moderate collinearity with different factors (since it is under 0.4), and a VIF of 4.650, demonstrating moderate expansion in its change because of collinearity.

In rundown, the table gives data on how every autonomous variable ("LA," "NPL," "LLP") is connected with the reliant variable profit from all out resources (ROA) as far as their relapse coefficients, importance levels (t-measurements and p-values), and collinearity insights (resistance and VIF), which assist with evaluating the dependability and effect of every variable in the relapse model. Model 2

It has used to test the relationship between independent variables and ROE;

$$ROE = \beta_0 + \beta_1 LA + \beta_2 NPL + \beta_3 LLP$$

Table 16.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
I	.578a	.335	.276	4.11678	.353

a. Predictors: (Constant), LLP, LA, NPL, b. Dependent Variable: ROE

The results of the linear regression model are shown in Table 16. It displays the model's adjusted R squared statistics, which are 33.5 percent and 27.6 percent, respectively. According to the outcome, 27.6% of the changes in the dependent variable can be attributed to changes in the independent variables. That is Vehicle, NPLR, LTAR, LLPR make sense of 27.6% of the adjustment of ROE. Other factors provide an explanation for the remaining 72.4% of changes.

Table 17

ANOVA Table

Source	Sum of Squares(SS)	Degrees of Freedom (df)	Mean Square (MS)	F-statistic	P-value
Regression	383.610	4	95.903	5.659	.001
Residual	762.654	45	16.948		
Total	1146.264	49			

a. Predictors: (Constant), LLP, LA, NPL

b. Dependent Variable: ROE

According to Table 17, neither the independent variables nor their effects on banks' profits are statistically significant. The study has established a statistically significant relationship with $p=0.001$, which is less than 0.05.

Table 18

Regression coefficient of independent variables on return on equity

Variables	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	Tolerance	VIF
(Constant)	30.049	8.152		3.686	.001
LA	.397	.540	.097	.735	.466
NPL	-4.502	1.419	-.968	-3.172	.003
LLP	5.147	1.739	.899	2.960	.005

Dependent Variable: ROE

Source: The Researcher computation through SPSS-20

Table 18 shows that capture of the relapse condition is 30.049, coefficients are LA (Credit Resources): The unstandardized coefficient (B) is 0.397, with a standard mistake of 0.540. The normalized coefficient (Beta) is 0.097, NPL (Non-Performing Credits): The unstandardized coefficient is - 4.502, with a standard blunder of 1.419. The normalized coefficient is - 0.968, LLP (Credit Misfortune Arrangements): The unstandardized coefficient is 5.147, with a standard blunder of 1.739. The normalized coefficient is 0.899.

Every coefficient's factual importance is likewise shown by the T-values gave. The Resilience and VIF values give data about multicollinearity, Resistance esteems near 1 show low multicollinearity are for the most part thought to be satisfactory, demonstrating insignificant multicollinearity issues.

This table sums up the consequences of a relapse examination where the reliant variable is reasonable Profit from Resources (ROA), despite the fact that it is marked as ROE (Return on Value) in the gave portrayal. The table gives bits of knowledge into how every free factor (LA, NPL, LLP) connects with the reliant variable, considering both unstandardized and normalized coefficients, as well as evaluating multicollinearity through Resistance and VIF values.

4.2 Discussion

The significant discoveries of the review are separated based on monetary and measurable information of KBL, LBL and SBL, which are given beneath:

- IRS has emphatically connected with benefit of bank and the comparable discoveries are drawn by Shrestha and Niraula (2021) and Musah, et al. (2018) which demonstrates an expansion in IRS lead to increment in bank's benefit. In general, the discoveries of this exploration give important experiences into the elements that add to the productivity of business banks in Nepal. Also, NPLR essentially affects ROA though IRS fundamentally affects ROA.
- This study uncovers that NPLR has decidedly associated with benefit and comparable discoveries exists in past examination Pokharel and Pokharel (2020) which shows banks are facing more challenge by loaning to borrowers. Additionally, there is huge connection between loan cost spread (IRS), capital sufficiency proportion (Vehicle), client store development rate (CDGR) and benefit of the banks. Be that as it may, CDR has adversely corresponded with productivity of bank and the comparative discoveries are drawn by Shrestha

and Niraula (2021), Bhattarai (2019), and Ramchandani and Jethwani (2017) which demonstrates high credit to store proportion lead to diminish in productivity.

- The negative and measurably critical aftereffect of NPLR and comparable discoveries were drawn by Hamza (2017) proposes that banks need to keep up areas of strength for with chance and credits and advances process to keep NPL as lower as conceivable which will empower to keep up with high credit execution for benefit (ROA) of business banks.
- The positive and genuinely critical aftereffect of IRS on ROA and it has corresponded with the past review (Karki, 2020) proposes the bank ought to keep up with the loaning and store rates in ideal level to draw in the two contributors and borrowers. In any case, CDR irrelevantly affects ROA and Goet (2022) likewise tracked down a comparable outcome.
- The typical current proportion kept up with by KBL LBL and SBL is 1.41 times, 1.02times and 1.02 times individually. This shows that KBL has kept up with smidgen more current resources than LBL and SBL to meet the commitment of current liabilities. However the ideal norm of current proportion ought to be 2:1, the ordinary proportion of liabilities isn't relevant in financial area. The typical money and bank equilibrium to add up to store proportion of KBL, LBL and SBL are 14.13%, 24.53% and 14.01% individually. Consequently it very well may be reasoned that the money and bank offset of LBL regarding store is better against the status to serve its client's store than KBL and SBL. It infers that better liquidity position of LBL.
- Based on mean money and bank equilibrium to current proportion LBL has the most noteworthy proportion of 23.25% followed by SBL with mean proportion 18.37% and KBL with mean proportion 13.72%, which is the least among the banks under study. It upholds the end that KBL has not been fruitful in keeping up with its higher money and bank equilibrium to current resource proportion in contrast with LBL and SBL. SBL has the most elevated credit and advance to current proportion of 110.75% followed by LBL with mean proportion 80.28% and afterward KBL with 76.98%. The LBL appears to have significantly more consistency than the KBL and SBL with its credit and advances to current resource.

- The connection among credit and advance (LA) has a positive relationship with return on resources by a coefficient gauge of 0.034. This implies that holding other free factors consistent and when one unit expansions in credit and advance, thus it increments net benefit of the banks by 0.034 and the p worth of credit and advance (LA) is 0.000 uncovers that it is genuinely huge at 1% degree of importance. Consequently, this is critical positive connection among credit and advance and return on resources. A positive and huge relationship between bank benefit and credit and advance has been tracked down in past review (Alshatti, 2015).
- The connection test shows that credit and advance (LA) has huge connection with non-performing advance (NPL) in 1% degree of importance with relationship coefficients 0.466 which intends that there is moderate level of positive relationship among's advance and advance and non-performing advance. Simultaneously, credit and advance (LA) has critical connection with advance misfortune arrangement (LLP) and return on resources (ROA) in 1% degree of importance. In like manner, there is irrelevant positive connection between's non-performing advance and NP for example 0.287.
- The connection framework likewise shows that non-performing advance has huge positive relationship with credit misfortune arrangement in 1% degree of importance. This was predictable with the discoveries of Berrios(2013)but inverse to the discoveries of Francis (2014)oncommercial banks in KenyaSimilarly, relationship between's credit deficit arrangement and net benefit is 0.480 which is additionally 1% degree of importance
- In outline, the assertion "79.2 percent of the difference in the reliant variable" means that the relapse model with LA, NPL, and LLP as indicators makes sense of 79.2% of the fluctuation saw in kind on absolute resources (ROA). This shows areas of strength for a between the free factors and the reliant variable in the relapse examination.

CHAPTER-V

SUMMARY, CONCLUSION

The last part of this study is the ends and suggestions created from the near examination of different parts of the credit of the business banks by utilizing a few significant monetary as well as measurable instruments. The researcher's final and most important task, following completion of the study's fundamental analysis, is to provide a summary of the findings and recommendations for their future significance.

5.1 Summary

From the examination made during the review time of the concerned example banks, certain end has been inferred after the monetary as well as factual instruments have been estimated in the interest of various part of the credit the board of the concerned banks under study.

An endeavor of considering of the advance administration of business banks has been made in this report. KBL, LBL and SBL are taken as test banks under the review for a long time. This proposal study is summed up into five distinct sections including this part. First section of the review managed about essential presumptions of the review. Fundamentally, it featured the idea and significance of the review. It likewise introduced research issues, goals and constraints of the review. Second part managed different survey of writing with respect to the idea of, credit, loaning approaches and past audits of articles and postulation to give information about the foundation of the review.

The third section of the review incorporated the exploration plan, nature and wellsprings of the information, information assortment strategies, populace and test, information handling and apparatuses utilized for review. This part makes sense of the financial proportion examination and measurable investigation devices to dissect the fiscal report and information of test banks.

The fourth section managed information show and examination and significant discoveries of the review. In this section different monetary proportions are determined and introduced in graphical structure to break down the credit, loaning, benefit and misfortune and different variables fundamental for the examination of this review. These monetary and factual devices assisted with estimating the presentation of the bank in near way. To investigate the monetary proportions; Liquidity

Proportions, Resources The executives Proportions, Productivity Proportions and Chance Proportions are utilized. Also, to dissect the information measurably Coefficient of Connection, Coefficient of Assurance, Plausible Mistake of Relationship and Pattern Examination strategies are utilized. From the examination KBL is the best and LBL is the most disastrous among the three banks to use its assets as a speculation perspective. According to mean proportion perspective the example banks have been all ready to keep up with the pass advance arrangement of no less than 1% of absolute pass credit. Generally with all the examination which has been made above, we could reason that KBL, LBL and SBL have had the option to keep up with the pass credit arrangement of no less than 1% of complete pass advance as indicated by NRB mandates. The connection examination shows that credit and advance (LA) has critical connection with non-performing advance (NPL) in 1% degree of importance with relationship coefficients 0.466 which truly intends that there is moderate level of positive relationship among's advance and advance and non-performing credit. Simultaneously, credit and advance (LA) has critical connection with credit deficit arrangement (LLP) and net benefit (NP) in 1% degree of importance. In any case, there is irrelevant positive relationship between's non-performing advance and net benefit. The outcome observed that there is huge effect of credit and advance, non-performing endlessly advance misfortune arrangement on productivity of test banks.

5.2 Conclusion

The typical current proportion kept up with by KBL is higher than LBL and SBL is. This shows that KBL has kept up with smidgen more current resources than LBL and SBL to meet the commitment of current liabilities. The money and bank offset of LBL as for store is better against the preparation to serve its client's store than KBL and SBL. It suggests that better liquidity position of LBL. The money and bank equilibrium to current proportion LBL is higher than SBL and KBL. It upholds the end that KBL has not been fruitful in keeping up with its higher money and bank equilibrium to current resource proportion in contrast with LBL and SBL.

The typical credit and advance to add up to store proportion of LBL is higher contrasted with KBL and SBL which shows KBL has a more noteworthy capacity of effectively using their complete stores on conceding credits and advances to procure more benefit. In this way, it tends to be presumed that KBL has a more noteworthy productive and powerful capacity of using its assets than SBL. KBL is the best and

LBL is the most disastrous among the three banks to use its assets as a speculation perspective. LBL has solid situation to activate its functioning asset as credit and advance for creating pay than KBL and SBL. LBL has been effective in keeping up with its better yield borrowed and progresses in contrast with other two banks under study.

LBL has the most noteworthy mean profit from working asset proportion than SBL and KBL. From this examination it appears to be that LBL with its most elevated mean among the three banks can procure high benefit on complete working asset resources. Indisputably, from the above examination of return on all out working asset proportion made among the three banks KBL, SBL and LBL we can say that LBL has better yield on all out working asset. LBL is creating more pay through credit and advances than KBL and SBL. Contrasting their mean credit misfortune arrangement with all out credit and advances proportions has the higher mean proportion than KBL and SBL. The mean proportion of LBL has higher than KBL and SBL, it implies that the organization has forever been provisioning higher than KBL and SBL. The example banks have been all ready to keep up with the pass advance arrangement of no less than 1% of all out pass credit. By and large with all the examination which has been made above, we could reason that KBL, LBL and SBL have had the option to keep up with the pass credit arrangement of something like 1% of absolute pass advance as indicated by NRB mandates. KBL and SBL has had the option to keep up with the arrangement for dicey obligation proportion of somewhere around half of complete far fetched obligation as per the orders of NRB. Be that as it may, LBL has incapable to keep up with the typical arrangement for far fetched obligation proportions as per the mandates of NRB.

Subsequent to dissecting connection examination, it tends to be presumed that credit and advance (LA) has critical connection with non-performing advance (NPL), credit and advance (LA) has huge connection with advance shortfall arrangement (LLP) and net benefit (NP) in 1% degree of importance. In like manner, there is immaterial positive relationship between's non-performing credit and net benefit. The relationship grid likewise shows that non-performing credit has huge positive connection with advance misfortune arrangement in 1% degree of importance. As respects relapse examination, it very well may be likewise presumed that there is huge effect of credit and advance, non-performing endlessly credit misfortune arrangement

on productivity of test banks. Subsequently, a decent credit risk the executives of the example banks can be anticipated from here on out.

5.3 Implications

Based on examination and finding of the review, following idea and proposal can be progressed to defeat shortcoming, failure and good improvement strategy of KBL, LBL and SBL.

The money and bank equilibrium to add up to store estimates the accessibility of bank's profoundly fluid or quick assets to meet its unexpected approaches a wide range of stores. The money and bank offset of LBL as for store is better against the preparation to serve its client's store than KBL and SBL. It infers that better liquidity position of LBL. Conversely, a high proportion of non-bringing in money and bank equilibrium might unsuitable, which demonstrates the bank's inaccessibility to put its asset in pay age regions. In this way LBL is proposed to put resources into additional useful areas like transient attractive protections, depository bills and so forth safeguarding sufficient liquidity which will assist the save money with working on its benefit.

Tracked down LBL's credit and advances to add up to store proportion is similarly the most noteworthy among the three banks followed by KBL, then SBL. SBL's proportions appears to be a lot of lower than that of LBL and KBL so it is suggested that SBL ought to follow liberal strategy, contribute increasingly more level of complete store in credit and advances and keep up with greater steadiness on the credit strategy.

The advance misfortune provisioning and high volume of Non-performing advances of KBL, LBL and SBL are in expanding pattern which is surely not indication of productive credit the executives. It is prescribed to KBL, LBL and SBL to embrace sound credit assortment strategy and other two banks to keep up with and carry out its credit strategy significantly more proficiently, which would assist them with diminishing advance misfortune arrangement and non-performing credit.

The banks under review are additionally prescribed to rigorously follow the NRB orders with respect to the advance characterization. Since it is found that the banks under study has not had the option to keep up with specific guidelines as set by the NRB.

There is profoundly certain relationship between's the absolute store and credit and advances of KBL, LBL and SBL. So it is prescribed for every one of the banks to build their absolute store to make more credit and advances.

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APPENDICES

APPENDIX – I

S.N	Bank	Year	ROA				Rs in LIQ million	Inflation Rate	GDP Rate	
			(%)	ROE(%)	CDR(%)	NPL(%)				
1	Kumari Bank	2014	1.59	17.73	79.45	0.5	468.00	8.02	9.6	4.3
2	Kumari Bank	2015	1.23	11.35	87.87	1.12	266.00	5.74	9.6	3.8
3	Kumari Bank	2016	1.1	11.59	82.33	2.21	242.00	13.52	8.3	4.6
4	Kumari Bank	2017	1.03	10.97	79.47	2.89	260.00	12.43	9.9	3.8
5	Kumari Bank	2018	1.1	11.52	82.7	4.03	536.00	13.62	9.1	5.7
6	Kumari Bank	2019	1.06	12.76	81	2.49	380.00	7.48	7.2	3
7	Kumari Bank	2020	1.69	17.75	79.34	1.15	-	8.74	9.9	0.2
8	Kumari Bank	2021	1.29	9.6	87.6	1.86	327.00	10.33	4.5	7.7
9	Kumari Bank	2022	1.26	9.93	89.55	1.05	199.00	6.85	4.2	6.3
10	Kumari Bank	2023	1.17	10.5	99.75	1.01	220.00	4.59	4.2	6.8

(Source: Annual Reports of Kumari bank)

APPENDIX – II

S.N	Bank	Year	ROA				Rs in LIQ million (%)	Inflation Rate	GDP Rate	
			(%)	ROE(%)	CDR(%)	NPL(%)				
1	Laxmi Bank	2014	1.66	15.4	81.49	0.12	1,630.00	15.53	9.6	4.3
2	Laxmi Bank	2015	1.76	17.82	84.1	0.9	1,094.00	9.55	9.6	3.8
3	Laxmi Bank	2016	1.5	15.58	73.13	0.62	1,033.00	17.22	8.3	4.6
4	Laxmi Bank	2017	1.5	15.51	77.43	1.51	1,591.00	15.19	9.9	3.8
5	Laxmi Bank	2018	1.47	15.1	75.5	1.15	2,631.00	16.91	9.1	5.7
6	Laxmi Bank	2019	1.04	14.88	78.91	1.3	2,120.00	24.27	7.2	3
7	Laxmi Bank	2020	1.35	12.75	83.81	0.8	3,385.00	16.61	9.9	0.2
8	Laxmi Bank	2021	1.52	11.11	89.2	0.93	1,353.00	16.52	4.5	7.7
9	Laxmi Bank	2022	1.55	10.57	93.79	1.29	663.00	17.75	4.2	6.3
10	Laxmi Bank	2023	1.66	12.57	95.3	1.11	666.00	18.56	4.2	6.8

(Source: Annual Reports of Laxmi bank)

APPENDIX – III

S.N	Bank	Year	ROA				Rs in million	LIQ (%)	Inflation Rate	GDP Rate
			(%)	ROE(%)	CDR(%)	NPL(%)				
1	Siddhartha Bank	2014	1.06	15.02	83.65	0.53	444.00	5.66	9.6	4.3
2	Siddhartha Bank	2015	1.28	15.66	86.43	0.79	270.00	5.61	9.6	3.8
3	Siddhartha Bank	2016	1.12	14.79	79.42	1.52	345.00	11.86	8.3	4.6
4	Siddhartha Bank	2017	1.43	18.89	83.55	2.39	300.00	9.6	9.9	3.8
5	Siddhartha Bank	2018	1.74	23.03	79.02	2.75	810.00	17.22	9.1	5.7
6	Siddhartha Bank	2019	1.51	20.36	83.04	1.8	678.00	8.63	7.2	3
7	Siddhartha Bank	2020	1.69	20.1	87.02	1.47	869.00	6	9.9	0.2
8	Siddhartha Bank	2021	1.53	14.03	88.4	1.3	485.00	8.68	4.5	7.7
9	Siddhartha Bank	2022	1.59	9.24	86.08	1.09	300.00	6.37	4.2	6.3
10	Siddhartha Bank	2023	1.47	15.2	89.65	0.75	318.00	4.56	4.2	6.8

(Source: Annual Reports of Siddhartha bank)

APPENDIX – IV

Regression result of ROA by SPSS

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
I	.890a	.792	.768	441.34540	.953

a. Predictors: (Constant), LLP, LA, NPL

b. Dependent Variable: ROA

ANOVA Table

Source	Sum of Squares(SS)	Degrees of Freedom (DF)	Mean Square (MS)	F-statistic	P-value
Regression	3.572	4	0.893	5.217	.002
Residual	7.702	45	0.171		
Total	11.274	49			

Predictors: (Constant), LLP, LA, NPL

Coefficients

Variables	Coefficients	t-statistics	p-value	Collinearity Statistics	
				Tolerance	VIF
(Constant)	510.246	2.550	.017		
LA	.034	7.020	.000	.215	4.650
NPL	.756	2.167	.040	.065	15.341
LLP	-.932	-2.679	.013	.040	24.859

Dependent Variable: ROA

APPENDIX – V

Regression result of ROE by SPSS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
I	.578a	.335	.276	4.11678	.353

a. Predictors: (Constant), LLP, LA, NPL

b. Dependent Variable: ROE

ANOVA Table

Source	Sum of Squares(SS)	Degrees of Freedom (DF)	Mean Square (MS)	F-statistic	P-value
Regression	383.610	4	95.903	5.659	.001
Residual	762.654	45	16.948		
Total	1146.264	49			

Predictors: (Constant), LLP, LA, NPL

Coefficients

Variables	Unstandardized Coefficients		Standardized Coefficients	Tolerance	VIF
	B	Std. Error	Beta		
(Constant)	30.049	8.152		3.686	.001
LA	.397	.540	.097	.735	.466
NPL	-4.502	1.419	-.968	-3.172	.003
LLP	5.147	1.739	.899	2.960	.005

Dependent Variable: ROE

APPENDIX – VI

Correlation Matrix

	LA	NPL	LIP	NP
LA				
Pearson Correlation	1	.466**	.719**	.848**
Sig. (2-tailed)		0.009	.000	.000
N	30	30	30	30
NPL				
Pearson Correlation	.466**	1	.924**	.287
Sig. (2-tailed)	.009		.000	.125
N	30	30	30	30
LIP				
Pearson Correlation	.719	.924	1	.480**
Sig. (2-tailed)	.000	.000		.007
N	30	30	30	30
NP				
Pearson Correlation	.848**	.287	.480	1
Sig. (2-tailed)	.000	.125	.007	
N	30	30	30	30

** . Correlation is significant at the 0.01 level (2-tailed).

(Source: SPSS version 23)

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ABSTRACT

Credit Risk Management **and Profitability of commercial Banks in Nepal** help to