

**A STUDY ON NONPERFORMING LOAN MANAGEMENT OF  
COMMERCIAL BANKS IN NEPAL**

**A Thesis**

**By**

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### **Certificate of Authorship**

I certify that the work in the thesis has not previously been submitted for a degree nor has it been submitted as part of requirement for a degree except as fully acknowledge within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information source and literature used are indicated in the reference section of the thesis.

.....

Krishna Prasad Karki

December, 2019

## **RECOMMENDATION LETTER**

It is certified that thesis Entitled "**A study on nonperforming loan management of commercial banks in Nepal**" submitted by Krishna Prasad Karki is an original piece of research work carried out the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registration the proposal. The thesis is forwarded for examination.

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**APPROVAL-SHEET**

We, the undersigned, have examined the thesis entitled "**A study on nonperforming loan management of commercial banks in Nepal**" presented by Krishna Prasad Karki a candidate for the degree of Master of Business Studies (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## ABBERRIATIONS

ABBS	Anywhere Branch Banking System
AM	Arithmetic Mean
CV	Coefficient of Variation
EBL	Everest Bank Limited
i.e	That is
LC	Latter of credit
LLP	Loan Loss Provision
Ltd.	Limited
NBL	Nabil Bank Limited
NIBL	Nepal Investment Bank Limited
No.	Number
NPA	Non-Performing Asset
NPL	Non Performing Loan
NRB	Nepal Rastra Bank
PE	Probable Error
r	Correlation Coefficient
ROA	Return of Assets
ROE	Return on Equity
Rs.	Rupees
S.N	Serial Number
SD	Standard Deviation
T.U.	Tribhuvan University

## ABSTRACT

*The study was conducted with the aim of studying Non-performing loan of commercial bank in Nepal. The study was conducted with reference to Nabil Bank.ltd and Everest Bank .ltd. The main focus of study was to analyze the NPL ratio, trend of NPL ratio, and to investigate the impact of NPL on profitability of commercial bank. NPL is major concern for the commercial bank because the default of loan and interest has resulted major threat to the income of the bank. If the NPL is not managed soon, the commercial cannot escape from the vicious circle of NPL.*

*Non-performing loan are those loan that has been default in the payment of interest and principle. Loan, which payment of interest and principle is not made for more than 3 months is called non-performing loan. In specific contract the term may differ. The rate of NPL in Nepalese banking sector is alarming.*

*Descriptive and Comparative research design has been used for the study. Everest Bank ltd. and Nabil Bank ltd. was used as a sample. The secondary data has been used from the annual report of the both bank. The data analysis tool includes ratio analysis, trend analysis, correlation, regression model, and P-value.*

*The study showed that the NPL ratio was in fluctuating trend. There was increase and downfall of the NPL ratio in this ten year period. There was positive correlation between loan and NPL amount. Both are moving in the same direction. The study showed that there was minimal influence of the NPL on the return on assets. The NPL ratio was insignificant in studying the impact on profitability.*