# NON-PERFORMING ASSETS AND ITS EFFECT ON PROFITABILITY OF NEPALESE COMMERCIAL BANKS

**(with reference to ADBL, NIBL, GIBL, EBL and NIC Asia Bank)**

**A Thesis**

**By**

**Shivjee Kumar Mahato**

**Central Department of Management**

**Class Roll No. 79**

**Exam Roll No.: 823/16**

**T.URedg. No.: 7-1-13-1422-2007**

**In the partial fulfillment of the requirements for the Degree of**

**Master of Business Studies (MBS Semester)**

**In the**

**Faculty of Management**

**Tribhuvan University**

**Kritipur, Kathmandu**

**March, 2021**

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## APPROVAL SHEET

We, the underdesigned, have examined the thesis entitled **"Non-Performing Assets and its Effect on Profitability of Nepalese Commercial Banks"** presented by Shivjee KumarMahato, a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva-voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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## CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis entitled **"Non-Performing Assets and its Effect on Profitability of Nepalese Commercial Banks"** has not previously been submitted for a degree nor has it been a part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has written by me under the supervision of Lecturer Dr. UdayaKishorTiwari. In addition, I certify that all information sources and literatures used are indicated inthe reference section of the thesis.

.....

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## REPORT OF RESEARCH COMMITTEE

Ms/Mr. ShivjeeKumar Mahato has defended research proposal entitled**Non-Performing Assets and its Effect on Profitability of Nepalese Commercial Banks** The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Lect. Dr. UdayaKishorTiwariand submit the thesis for evaluation and viva voce examination.

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Shivjee Kumar Mahato
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# ABSTRACT

This study aimed to examine the non-performing assets and its effect on profitability of Nepalese commercial banks. The research analyzed of profitability ratio, return on assets, return on equity, profit margin ratio, non-performing loan to total loan ratio, total loan to total assets ratio provision for loan loss coverage ratio of Nepalese commercial banks. Secondary data were collected from Nepal Rastra Bank Annual Report, different news, articles published. The study covers the period of 2070 to 2077 for four private commercial bank and one government bank. Data where analyzed using descriptive research design. The asthmatic mean, standard deviation, correlation coefficient regression model used to examine the relationship of dependent and independent variables and SPSS tools used for data analysis. The regression model were estimate the significant impact of non-performing loan on Nepalese commercial banks. NLTTLR, the ratio which measures the proportion of non-performing loan out of the total loan. The ratio of ADBL is highest than four banks, which has average ratio of 6.00 but it is in the declining trend. Ratio of NIBL, GIBL and NIC are 1.98, 2.82, 5.32 and 1.5 respectively. And combined average is 3 mean. TLTTAR of all five banks or combined mean 70.109 and among all fivebanks it is higher in EBL which is 72.94 TLTAR of ADBL, NIBL, GIBL, NIC are 71.75, 66.32, 70.15 and 61.36 respectively and standard deviation is also high in EBL than of four banks.GIBL is able to maintain loan portfolio. Provision for loan loss amount (PLL) is also in the same ratio of NPL. But ADBL has maintained lower proportion of PLL in year 2074 than NPL and increasing it from 2074 to maintain previous NPL.

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## ABBREVIATION

| | |
|---|---|
| ADBL | : Agriculture Development Bank |
| ADBW | : Agriculture Development Bank |
| AQ | : Assets Quality |
| ATM | : Automated Teller Machine |
| CA | : Capital Adequacy |
| CEO | : Chief Executive Officer |
| CPI | : Consumer Price Index |
| EBL | : Everest Bank Limited |
| FINSAL | : Financial Sector Advising Center |
| GIBL | : Global IME Bank |
| IMF | : International Monetary Fund |
| NIBL | : Nepal Investment Bank |
| NIC Asia | : Nepal Industrial and Commercial Bank |
| NLTTLR | : Non-Performing Loan to Total Loan Ratio |
| NPA | : Non Performing Assets |
| NPAS | : Study on Non-performing Assets |
| NPL | : Non Performing Loan |
| NRB | : Nepal Rastra Bank |
| PCR | : Provisioning Coverage Ratio |
| PLL | : Provision for Loan Loss |
| PLLCR | : Provision for Loan Loss Coverage Ratio |
| PMR | : Profit Margin Ratio |
| PNB | : Punjab National Bank |
| RBB | : RastriyaBanijya Bank |
| ROA | : Return on Assets |
| ROE | : Return on Equity |
| T.V. | : Television |
| TLTTAR | : Total Loan to Total Ratio |