A CASE STUDY OF NON-PERFORMING LOAN MANAGEMENT OF RASTRIYA BANIJYA BANK LTD.

A Thesis

Submitted By

Tilak Ram BhattaraiCampus Roll No.: 610/2068

Exam Roll No.: 280375

Regd. No.: 7-3-28-232-2011

Submitted To:

Office of the Dean

Faculty of Management Tribhuvan University Kirtipur, Kathmandu

In partial fulfillment of the requirements for the Degree of Master's of Business Studies (MBS)

DECLARATION

I hereby declare that the work done in this thesis entitled "A CASE STYDY OF NON-PERFORMING LOAN MANAGEMENT OF RASTRIYA BANNIJYA BANK LTD" submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Degree of Master's of Business Studies (M.B.S) under the supervision of Lecturer Dinesh Mani Ghimire, Central Department of Management, T.U.

.....

TILAK RAM BHATTARAI

Researcher

Central Department of Management Tribhuvan University

Date:

RECOMMENDATION

This is to certify that thesis

Submitted by

TILAK RAM BHATTARAI

Entitled:

A CASE STUDY OF NON-PERFORMING LOAN MANAGEMENT OF RASTRIYA BANIJYA BANK LTD.

has been prepared as approved	d by this Department in the prescrib	ped format of the
Faculty of Management. This	thesis is forwarded for examination	n.
Lecturer. Dinesh Mani Ghimire	Prof. Bhawani Shankar Acharya	Prof. Dr. Bhoj Raj Aryal
Thesis Supervisor)	(Head, Research Department)	(Head of the Department)

Date:

VIVA-VOICE SHEET

We have conducted the Viva-Voice examination of the thesis

Submitted by:

TILAK RAM BHATTARAI

Entitled:

A CASE STUDY OF NON-PERFORMING LOAN MANAGEMENT OF RASTRIYA BANIJYA BANK LTD.

And found the thesis to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of Master's of Business Studies (M.B.S.)

VIVA-VOICE COMMITTEE

Chairperson, Research Department:	
Member (Supervisor):	
Member (External):	
Member (Central Department of Management):	
Date:	

ACKNOWLEDGEMENTS

It is a matter of pleasure to prepare the thesis for the partial fulfillment of the

requirements for the Degree of Master's of Business Studies (M.B.S.) and I

would like to thank Tribhuvan University for giving me such an opportunity.

I express my profound gratitude to my supervisor Lecturer Dinesh Mani

Ghimire for his patient and continuous guidance with valuable comments and

kind support to prepare this thesis.

I also own indebtedness to all reputed authors whose writing has provided me

the necessary support for enrichment of my research paper in the possible

ways. I would like to express my genuine appreciation to all the staff of Central

Department of Management, Central library staff, Rastriya Banijya Bank staff,

who provide me necessary information and data.

I would like to thank my family members and friends who have been

uninterrupted source and helped me during this research work.

I have tried to cover all the possible data and information that I felt important

to sum up this thesis. I am hopeful that this work will be helpful to the other

students who will be seeking to make further researches under this topic.

Tilak Ram Bhattarai

٧

TABLE OF CONTENTS

Title page	i
Declaration	ii
Recommendation	iii
Viva-Voce Sheet	iv
Acknowledgement	V
Table of Contents	vi-viii
List of Tables	ix
List of Figures	X
Abbreviations	xi
CHAPTER – I: INTRODUCTION	1-9
1.1 Background of the Study	1-7
1.2 Focus of the study	6
1.3 Statement of the Problem	7
1.4 Objectives of the Study	8
1.5 Significance of the Study	9
1.6 Limitations of the Study	9
CHAPTER – II: REVIEW OF LITERATURE	10-34
2.1 Conceptual Framework	10
2.1.1 Loan and Advances	12
2.1.2 Performing Assets/loans	13
2.1.3 Non-performing Assets/Loans	13
2.1.4 Causes of occurring NPAs	14
2.1.5 Effect of NPAs	14
2.1.6 Loan loss provision	18
2.1.7 Principles of Lending Loan and Advances	19
2.2 Review of NRB Directives	20

2.3 Research Gap	
CHAPTER – III: RESEARCH METHODOLOGY	35-44
3.1 Introduction	35
3.2 Research Design	36
3.3 Source of data	36
3.4 Methods of Analysis	37
3.4.1 Financial Tools	37
3.4.2 Statistical Tools	40
CHAPTER – IV: DATA PRESENTATION AND ANALYSIS	45-70
4.1 Ratio Analysis	45
4.1.1 Loan and Advances to Total Deposit Ratio	45
4.1.2 Loan and Advances to Total Asset Ratio	47
4.1.3 Non-Performing Loans to Total Loan and Advance	
Ratio	49
4.1.4 Non-Performing Loan to Assets Ratio	51
4.1.5 Loan Loss Provision to Non-Performing Loan	53
4.1.6 Net Profit to Total Loan and Advances	55
4.2 Correlation	57
4.2.1 Correlation between Total Loan & Advances and Deposit	58
4.2.2 Correlation between Total Loan & Advance and LLP	58
4.2.3 Correlation between Total Loan & Advance and NPL	59
4.2.4 Correlation between NPLs and Total Assets	60
4.3. Trend Analysis	61
4.3.1 Least Square of Linear Trend of Loan and Advance	61
4.3.2 Least Square of Linear Trend of Net Profit	63
4.3.3 Least Square of Linear Trend of Loan Loss Provision	65
4.3.4 Least Square of Linear Trend of Non-performing Loan	66

4.4 Major Findings	68		
CHAPTER – V: SUMMARY, CONCLUSION AND			
RECOMMENDATIONS	71-75		
5.1 Summary	71		
5.2 Conclusion	73		
5.3 Recommendations	74		
BIBLIOGRAPHY			
APPENDICES			

LIST OF TABLES

No.	Particulars	Page No.
4.1	Total Loan and Advances to Total Deposit Ratio	46
4.2	Total Loan and Advance to Total Assets	48
4.3	NPLs to Total Loan and Advance Ratio	50
4.4	NPL to Total Assets	52
4.5	Loan Loss provision to NPL	54
4.6	Net Profit to Loan and Advance	56
4.7	Correlation between Loan & Advance and Total Deposit	58
4.8	Correlation between Loan & Advance and LLP	59
4.9	Correlation between Loan & Advance and NPL	60
4.10	Correlation between Non-Performing Loans and Total Assets	s 60
4.11	Least square of Linear Trend of Loan and Advance	62
4.12	Least square of Linear Trend of Net Profit	64
4.13	Least square of Linear Trend of Loan Loss Provision	65
4.14	Least square of Linear Trend of NPL	67

LIST OF FIGURES

No.	Particulars	Page No.
4.1	Total Loan and Advances to Total Deposit Ratio	47
4.2	Total Loan and Advance to Total Assets	49
4.3	NPL to Total Loan and Advance	51
4.4	NPL to Total Assets	53
4.5	Loan Loss Provision to Non-Performing Loan	55
4.6	Net Profit to Loan and Advance	57
4.7	Loan and Advance Trend of Bank	63
4.8	Net Profit Trend of Bank	64
4.9	Trend of Loan Loss Provision	66
4.10	Trend of Non-Performing Loan	67

ABBREVIATIONS

FY : Fiscal Year

LA : Loan and Advances

LLP : Loan Loss Provision

NP : Net Profit

NPL : Non Performing Loan

NPA : Non Performing Asset

NRB : Nepal Rastra Bank

P.E. : Probable Error

r : Coefficient of Correlation

r² : Coefficient of Determination

RBB : Rastriya Banijya Bank

S.D. : Standard Deviation

TA : Total Asset

TD : Total Deposit

TL : Total Loan