

NON-PERFORMING ASSETS AND PROFITABILITY IN COMMERCIAL BANKS OF  
NEPAL

(With Reference to Himalayan, Everest, Nepal SBI and NABIL Bank Ltd)

*A Thesis*

*By*

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## **RECOMMENDATION LETTER**

It is certified that thesis entitled “Non-Performing Assets and profitability of commercial banks in Nepal (With Reference to Himalayan, Everest, Nepal SBI and NABIL Bank ltd)” has been prepared by Bibek Ghimire is an original piece of research work carried out by 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. The thesis is forwarded for examination.

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## **APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled Non- Performing Assets and profitability in commercial banks of Nepal (With Reference to Himalayan, Everest, Nepal SBI and NABIL Bank ltd) presented by Bibek Ghimire, 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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## **CERTIFICATION OF AUTHORSHIP**

I certify that the work in this thesis has not previously been submitted for a degree nor it has been submitted as part of requirements for a degree except as fully acknowledged 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 sources and literature used are indicated in the reference section of the thesis.

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Bibek Ghimire

Date :.....

## **ACKNOWLEDGEMENT**

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

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

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Bibek Ghimire

Researcher

## **ABSTRACT**

*Banking sector is one of the constituents of financial system of the nation. Economy sustenance can be measured based on the sustenance of the banking sector of a particular nation and the prosperity of the nation's economy depends on the banking system. A strong banking sector is important for flourishing economy. The failure of the banking sector in any country may have an adverse impact on other sectors. Non-performing Assets (NPAs) are one of the major concerns for banking sector in Nepal. Non-performing Assets also called NPAs is the term used in banking and finance sector. Basically this term (NPAs) is used in loan department of the bank. The assets of bank which do not perform any role in getting profit to the organization, such assets are called Non-performing Assets. NPAs reflect the performance of banks in any country. The more the NPAs the lower the performance of bank. The issue of NPAs has been discussed at length of financial system all over the world. The problem of NPAs is not only affecting the banks but also the entire economy of any country. In this research, an effort has been made to analyze the impact of NPA on profitability of Nepalese commercial banks. The study covered four commercial banks in Nepal over the period of past 10 fiscal year from 2007/08 to 2016/17. The study is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that the commercial banks have significantly improved their working performance in the areas of NPAs. Therefore, the results are valid for banking sector.*

**Key Words: Non-performing Assets, Profitability and Commercial Banks of Nepal**

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## **ABBREVIATIONS**

AM:	Arithmetic Mean
BS:	Bank Size
CEO:	Chief Executive Officer
CIAA:	Commission for Investigation of Abuse of Authority
CR:	Coefficient of Variation
DFI:	Development Commercial Bank
EBL:	Everest Bank Ltd
FBM:	Female Board Member
GDP:	Gross Domestic Product
GFC:	Global Financial Crisis
HBL:	Himalayan Bank Ltd
LER:	Leverage Ratio
LR:	Liquidity Ratio
NCB:	Nationalized Commercial Bank
NP:	Net Profit
NPA:	Non Performing Assets
NRB:	Nepal Rastra Bank
NSBL:	Nepal SBI Bank Ltd
RBB:	Rastriya Banijaya Bank
RBI:	Reserve Bank Of India
ROA:	Return on Assets
ROE:	Return on Equity

SD: Standard Deviation

SOI: State Bank of Indi