CREDIT RISK MANAGEMEN OF NEPALESE COMMERCIAL BANK

A Thesis

Submitted

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.

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RECOMMENDATION LETTER

It is certified that thesis entitled Credit Risk Management of Nepalese Commercial Banks submitted by Khim Raj B.C 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 **Credit Risk Management of Nepalese Commercial Banks** presented by Khim Raj B.C 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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LIST OF ABBREVIATIONS

A.D.	=	Anno Domini
ABBS	=	Any Branch Banking Services
ALCO	=	Asset Liabilities Management Committee
AML	=	Anti Money Laundering
ATM	=	Automated Teller Machine
B.S.	=	Bikram Sambat
CAR	=	Capital Adequacy Ratio
CBs	=	Commercial Banks
CEO	=	Chief Executive Officer
CD	=	Credit Deposit
CIC	=	Credit Information Centre
CPG	=	Credit Policies Guidelines
CRR	=	Cash Reserve Ratio
CV	=	Coefficient of Variation
d.f.	=	Degree of Freedom
ECA	=	Export Credit Rating Agencies
e.g.	=	Example
EOD	=	End of Day
e.t.c	=	Etcetera
FDRs	=	Fixed Deposit Receipts
FI	=	Financial Institutions
Fig.	=	Figure
FIRA	=	Fixed Interest Rate Asset
FIRL	=	Fixed Interest Rate Liabilities
FY	=	Fiscal Year
GDP	=	Gross Domestic Product
i.e.	=	That is
IRR	=	Interest Rate Risk
KBL	=	Kumari Bank Limited
KYC	=	Know Your Customer
LBL	=	Lumbini Bank Limited
LLP	=	Loan Loss Provision

Ltd	=	Limited
MBL	=	Machhapuchchhre Bank Limited
NBA	=	Non Banking Asset
NBL	=	Nepal Bank Limited
NGO	=	Non Government Organization
NIM	=	Net Interest Margin
No.	=	Number
NPL	=	Non Performing Loan
NRB	=	Nepal Rastra Bank
p.	=	Page
P.E.	=	Probable Error
Pvt.	=	Private
RBB	=	Rastra Banijya Bank
Rs.	=	Rupees
RWA	=	Risk Weighted Asset
S.E.	=	Standard Error
T.U	=	Tribhuvan University.
T-Bill	=	Treasury Bills
UBAF	=	Union De Banques Arabes Et Francaises

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ABSTRACT

This research study was concerned on Credit Risk Management of Nepalese Commercial Banks with reference to two selected banks. It aimed to evaluate the credit risk management strategies of Nepalese Commercial Banks for the period 2014-2019. The research attempted to assess the extent to which the implementation of various credit risk management strategies by the bank has reduced the amount of nonperforming loans.

This study used descriptive research design has been used for the study. Kumari Bank limited and Machhapurchhe Bank Limited was used as a sample. Primary data as well as secondary data from the annual report statements also on questionnaires of the selected banks was used for the research work. The data analysis tools include ratio analysis, trend analysis, nonperforming loan ratios, standard deviation, CAR and risk weighted assets.

The study covered two commercial banks in Nepal over a period of past 5 fiscal years from 2014/15 to 2018/19. Descriptive statistics were used in the analysis and findings suggest that among the selected commercial banks in Nepal. Hence, the result shows that KBL has lower NPL so KBL has efficient credit management. Secondly, MBL has high NPL which decreases the profit high credit risk. Highest CAR of MBL which means MBL leads to less credit exposures. Therefore, the results are valid for banking sector.

Key Words: CRM, NPL and Commercial Bank