

**ANALYSIS OF NON-PERFORMING LOANS OF NEPALESE  
COMMERCIAL BANKS**

**A Thesis**

**By**

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## **CERTIFICATION OF AUTHORSHIP**

I certify that the work in this thesis has not previously been submitted for a degree nor has it 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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**Krishna Kumar Sah**

Date: .....

## **RECOMMENDATION LETTER**

It is certified that thesis entitled ANALYSIS OF NON-PERFORMING LOAN OF NEPALESE COMMERCIAL BANKS submitted by Krishna Kumar Sah 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. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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## **APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled ANALISIS OF NON-PERFORMING LOAN OF NEPALESE COMMERCIAL BANKS presented by Krishna Kumar Sah 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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## **Abstract**

Non-performing loans are those whose interest and principal are not paid beyond three months of due period. *Non-Performing loan is very important aspect in case of commercial banking as this will have huge impact upon Net profit. It further shows the efficiency of bank showing how effectively it is able to utilize its resources. The major objective of this research is to understand the relationship between Non-performing loan & Profitability of the bank. For this research descriptive method is used and secondary data from Annual report of bank is used to identify relationship between Non-Performing loan & Profitability.*

*After conducting this research, it was observed that there exists no relationship between Non-performing loan and Net Profit as GBIME and NABIL shows positive relationship between Non-performing loan and Net profit however in case of ADBL the relationship between Non-performing loan and Net profit seems to be negative. In case of deposit all banks deposit shows increasing trend and same was true regarding loan and advances but it was observed that NABIL has utilized its resources very efficiently compared to GBIME & ADBL .GBIME & ADBL in other hand shows positive improvement towards their resource utilization.*

*ADBL has increased loans and advances however Non-loss provision and Non-Performing loan is also increasing as well but in case of NABIL loan and advances is increasing but non-performing loan is decreasing which shows efficiency of NABIL. Further it was observed that CD ratio of all three banks were above 75% however ADBL has lower ratio compared to that to NABIL & GBIME which have ratio above 77% but prescribed ratio by NRB is 80%.Net profit in other hand is also increasing where NABIL is leading with highest profit earned compared to that of GBIME & ADBL and ADBL's Profit is increasing as well,GBIME in other hand has also increasing in moderate level.*

*Hence increased NPL does not seem to be problem for banks regarding their Net Profit if they are expanding their business so NPL alone cannot be considered as measuring rod for performance of banking sector.*

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**ABBREVIATIONS/ACRONYMS**

ADBL :	Agriculture Development Bank Limited
ADPA :	Average Deposit Per Branch
AMC :	Assets Management Company
ATM :	Automated Teller Machine
BFI's :	Bank and Financial Institutions
CAMEL:	Capital Adequacy, Assets Quality management, Earning, Liquidity & Sensitivity
CAR:	Capital Adequacy Ratio
CIB :	Credit Information Bureau
CD :	Cash to Deposit
CRR :	Cash Reserve ratio
DSL :	Deprived Sector loan
DRT :	Debt Recovery Tribunal
DRA :	Deposit from Rural Area
EBL :	Everest Bank Limited
FEDAN:	Foreign Exchange Dealers Association Of Nepal
GBIME:	Global IME Bank Limited
GNDI :	Gross National Disposable Income
HBL :	Himalayan Bank Limited
IMF :	International Monetary Fund
LAF :	Loan to Agriculture and Forestry

L/C	:	Letter of Credit
LLP	:	Loan Loss Provision
LRA	:	Loan to Rural Area
NPL	:	Non Performing Loan
NPA	:	Non Performing Assets
NABIL:		Nabil Bank Limited
NCCB :		Nepal Bangladesh Bank
NRB	:	Nepal Rastra Bank
RGDP :		Real Gross Domestic Product
SCBNL:		Standard Chartered Bank Nepal Limited
TA:		Total Assets