

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 as full 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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RECOMMENDATION LETTER

I recommended that the dissertation prepared "**Financial Performance of Commercial Banks in Nepal**" prepared by **Sujana Adhikari** has been completed under my supervision for partial fulfillment of the requirements for the degree of Master of Business Studies. I hereby forward it for approval.

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APPROVAL SHEET

We the undersigned, have examined the thesis entitled " **Financial Performance of Commercial Banks in Nepal** " prepared by **Sujana Adhikari** 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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ACKNOWLEDGEMENT

I would like to express my heartiest gratitude to people who helped one in fulfilling this thesis. My special thanks goes to Dr. Binod Shah for this guidance with valuable comments and kind support to me all the way through this thesis. I would also like to express my gratitude to Prof. Dr. Ramji Gautam (head of the department), Dean, Assistant Dean, and Faculty of management for guidance during the time of study.

I would like to offer my sincere to Professor Dr. Sanjay Kumar Shrestha for his support and guidance for my research. I should never forget my parents who supported me and encouraged me to fulfill this study.

Sujana Adhikari

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ABBREVIATIONS

BAFIO	:	Banking and Financial Institutional Ordinance
BCBS	:	Basel Committee of Bank Supervision
BHCs	:	Bank Holding Companies
BIS	:	Bank of International Settlement
FDIC	:	Federal Deposit Insurance Corporation

FFIEC	:	Federal Financial Institution Examination Council
FIs	:	Financial Institutions
FISD	:	Financial Institution Supervision Department
HBL	:	Himalayan Bank Limited
MPIS	:	Macro prudential Indicators
NABIL	:	Nepal Arab Bank Limited
NBOC	:	Nepal Bank of Ceylon Ltd
NCC	:	Nepal Credit and Commerce Bank Limited
NEPSE	:	Nepal Stock Exchange
NGOs	:	Non-Government Organizations
NIBL	:	Nepal Investment Bank Limited
NIC	:	Nepal Industrial and Commercial Bank Limited
NRB	:	Nepal Rastra Bank (Central Bank)
NSBI	:	Nepal SBI bank ltd
OCC	:	Controller of the Currency
OIG	:	Office of Inspector General
PCA	:	Prompt Corrective Action
SBL	:	Siddhartha Bank Limited
SCB	:	Standard Chartered Bank
SCBNL	:	Standard Chartered Bank Nepal Limited
SEBON	:	Security Exchange Board Nepal

ABSTRACT

Financial performance of commercial banks in Nepal is a representative vision of the reality. Main thrust of the present study is to assess the financial performance of Nepalese commercial banks, to determine the relationship between capital adequacy, assets qualities, management qualities, earning capacities, and liquidity positions of Nepalese commercial banks and to ascertain the effect of capital adequacy, assets quality, management quality and liquidity position on profitability.

Descriptive research design has been adapted in this study. This study has examined the determinants of financial performance of Nepalese commercial banks over the period of FY 2014/15 to FY 2018/19 AD. The Convenience sampling method was used in choosing the banks for the study. The banks selected for the study are: Everest Bank Limited, Nabil Bank Limited, Nepal SBI Bank Limited, Machhapuchchhre Bank Limited and Nepal Bank Limited.

The commercial banks have been able to maintain their assets quality as per directives set by NRB. Considering total expenses to total income ratio as an indicator to measure the management, MBL has efficient management and Nepal SBI has less efficient management than other banks. EBL has more efficient and NBL has less efficient management than other banks considering profit per branch as an indicator to measure management efficiency. Earning is a base of operation of any institution. Return on equity (ROE) and return on assets (ROA) are taken in account to measure profitability position of the commercial banks. Nepal SBI has more stable and efficient ROE than other banks. On other hand, NBL has high fluctuated and inefficient ROE. The directives set by Nepal Rastra Bank on maintaining good liquidity position has also been strictly followed by the commercial banks. The minimum cash reserve ratio (CRR) set by NRB has been maintained by all commercial banks. Considering cash to deposit ratio as an indicator to measure liquidity position, NABIL has been able to maintain better liquidity position than other banks. Likewise, total expenses to total income (TE/TI) ratio and cash reserve ratio (CRR) has low positive influence on ROE of the commercial banks in Nepal. There is significant relationship between CAR, TE/TI, ROE, and ROA of commercial banks whereas; the relationship between ROA and other variables (NPL, and CRR) is insignificant.