

## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

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### ABSTRACT

*The level of Non-performing asset(NPA) in Nepalese banking system is very alarming. It is well known fact that the bank and financial institution in Nepal have been facing the problem of swelling non-performing assets and the issue of becoming more and more unmanageable day by day. This study examines the impact of non-performing loan on profitability of Nepalese commercial banks. Return on assets and return on equity are taken as dependent variables. Non-performing loan, loan loss provision, capital adequacy ratio, ratio of loan loss provision to total loan, ratio of total loan to total deposit and size of the firm are selected as independent variables. This study is based on the secondary data, which are collected from various issues of Banking and Financial Statistics, Bank Supervision Report published by Nepal Rastra Bank and annual reports of the banks. The study covers the period of 2010 to 2017 for 3 government banks and 10 non-government banks with 24 and 80 observations respectively. The regression models were estimated to test the significance and impact of non-performing loan on profitability on Nepalese commercial banks.*

**Keywords:** *Non-performing Asset, ROA, ROE, loan loss provision and capital adequacy ratio*

### INTRODUCTION

Non Performing Assets (NPA) means the amount of loan that the individual commercial banks had provided and the customer has not paid in until the time already matured. The distributed loan is not returned timely by clients and becomes overdue then, it is known as Non Performing assets for the banks.

Financial institutions are very important in the economic growth of the economic growth of the economy as it helps in the easy flow of credit which leads to the investment opportunities in productive sectors. Therefore, the soundness of banking institutions is an essential consideration for financial system stability. The efficient and effective performance of banking industry over time guarantees financial stability of any nation. The extent to which a bank extends credit to the public for productive activities accelerates the pace of the nation's economic growth and its long term sustainability (Funso et al., 2012).

Herrero (2017) claims that despite the operating costs of holding a large portfolio of loans, bank profitability should increase with a higher ratio of loans to assets as long as interest rates on loans are liberalized and the bank applies markup pricing. Among the different types of risk which are faced by banks, credit risk seems to have more impact on bank's profitability because bank's revenue are generate from loans from which interest is derived.

NPA are said as classified loans according to the NRB directives categories into sub-standard, doubtful and loss. The circular further says a NPA is a credit facility in respect of which interest has remained unpaid for two quarters.

According to the circulars, the loans are classified based on weakness and dependence on collateral securities into four categories and prescribed the provisioning rate as follows:

**Table1.** *Loan classification and Provision as per NRB directives*

Classification of loan	Duration overdue	Loan loss provisions
Standard/Pass/Good	Up to 3 months	1%
Sub standard	3 month to 6month	25%
Doubtful	6 month to 1 year	50%
Loss	More than 1 year	100%

**Source:** *Nepal Rastra Bank, Directives for commercial banks.*

Ahmad & Ariff (2007) states that non-performing is the percentage of loan values that are not serviced for three months and above. Basically, Non-performing loan reflects the performance standard of the banks. A high level of NPL reflects the high probability of loss and net worth get affected due to large number of credit defaults and similarly low level of NPL reflects the high probability of profit due to low credit default. Parul (2012) states that the NPL growth involves the necessity of provisions because it decrease the overall profits and shareholders. If there is the high proportion in bank credit there will be the higher probability that the banks can suffer from the financial crisis and vice versa.

Shrestha,(2010) in his report entitled, "A Study on Non-performing Assets (NPAs) - with Special Reference to Commercial Bank of Nepal", in which he pointed out some major issue in NPAs. NPA reduce the yield on evidences but also reduces the profitability of CBE. "An asset which ceases to generate income of the bank is called non-performing asset. The past due amount remaining uncovered for the two quarter consequently the amount would be classified as NPA for the whole year. It includes borrowers' defaults or delays in interest or principal repayment".

Banks are increasingly facing credit risk which arises from non-performance by a borrower. The impact of high non-performing loans in banks profitability, especially, when it comes to disposals. Felix and Claudine (2008) states that return of equity (ROE) and return on assets (ROA) are negatively related with non-performing loan.

Zoubi & Al-Khazali (2007) argued that loan loss provision (LLP) have positive relationship with ROA and suggests that bank managers use loan loss provision in managing their present and future earnings. Kithinji et. al. (2010) found that total loan to total deposits (TLTD) is positively related to the return on assets (ROA). Furlong & Keeley (1989) found that there is positive correlation between the capital adequacy ratio and returns. Ochei et al. (2013) states that CAR with positively related with bank's profitability.

Jha & Hui et al. (2015) found that there is negative relationship of non-performing loan, capital adequacy ratio with return on assets. Similarly, there is negative relationship of non-performing loan, capital adequacy ratio with return on equity (ROE). It also revealed that

there is positive relationship of total loan to total deposit with return on assets (ROA) and positive relationship with return on equity (ROE).

Chhetri(2012) in the article titled "*Non-Performing Assets: A need for Rationalization*", the writer has attempted to provide connotation of the term NPA and its potential sources, implication of NPA in financial sector in the South East Asian Region. He had also given possible measures to contain NPA. "Loans and advances of financial institutions are meant to be serviced either part of principal of the interest of the amount borrowed in stipulated time as agreed by the parties at the time of loan settlement. Since the date becomes past dues, the loan becomes non-performing asset. The book of the account with lending institution should be effectively operative by means of real transaction effected on the part of the debtor in order to remain loan performing.

Pradhan (2014) has conducted a research on "A Study on Non- Performing Assets of Commercial Bank with References to SCBNL, RBB, Everest bank, NB bank and NBBL". Main objective of his study are to find out the proportion of non-performing loan and the level of NPA in total assets, total deposit and total lending in the selected commercial bank relationship between loan loss provision in the commercial bank impact of non-performing assets in the performance of commercial bank.

He has concluded improper credit policy, political pressure to lend, lack of supervision and monitoring, economic slowdown, overvaluation of collateral are the major cause of occurring NPA. In recent year, not only the private sector's bank (like NBBL,EBL and SCBNL) but also public sector's banks (RBB and NBL) are trying to maintain their loan and advances to control over becoming the non-performing assets. To overcome the NPA from public banks, they should try to recover their loan and interest amount on time and also make a suitable loan loss policy.

He has concluded "high level of non-performing assets not only decrease the profitability of the banks but also affect the entire financial as well as operational health of the organization. If the NPA doesn't control immediately, it will be main causes for shutdown of the banks in future.

ROA is the measuring tools of bank profitability and also the ability of the bank management to generate the income by utilizing the company assets as their disposal. Ekwe & Daru (2012)

## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

used return on assets as dependent variable because it is an indicator of managerial efficiency. Khrawish (2011) states that ROA indicates the efficiency of the management of a company in generating net income from all the resources of the institution. Miller & Noulas (1997) found a negative relationship between credit risk and profitability. It shows that whenever there is negative relationship between them, then it signify that greater risk linked with loans, higher the level of loan loss supplies which thereby and create a trouble at the profit-maximizing strength of a bank.

### OBJECTIVES OF THE STUDY

The major objective of the study is to assess the relationship between non-performing loan and firm's financial performance in Nepalese commercial banks. More specifically, it examines the impact of non-performing loan to total loan, total loan to total deposit, capital adequacy ratio, loan loss provision, firm size on return on assets and return on equity.

**Table 2.** List of sample banks selected for the study along with the study period and number of observations

S. No	Name of the Bank	Total observation	Study period
<b>Government Bank</b>			
1	Nepal Bank Ltd.	8	2010 - 2017
2	RastriyaBanijya Bank Ltd.	8	2010-2017
3	Agriculture Development Bank Ltd.	8	2010-2017
<b>Non- Government Bank</b>			
1	Nabil Bank Ltd.	8	2010-2017
2	Everest Bank Ltd.	8	2010-2017
3	Himalayan Bank Ltd.	8	2010-2017
4	NB Bank Ltd.	8	2010-2017
5	Standard Chartered Bank Ltd.	8	2010-2017
6	SBI Bank Ltd.	8	2010-2017
7	Kumari Bank Ltd.	8	2010-2017
8	Citizens Bank Ltd.	8	2010-2017
9	Laxmi Bank Ltd.	8	2010-2017
10	NCC Bank Ltd.	8	2010-2015

Thus, the study is based on 104 observations.

### The Model

The model estimated in this study assumes that the impact of non-performing loan on bank's profitability. Therefore, the model takes the following form:

#### Model 1

$$ROA_{it} = \beta_0 + \beta_1 NPL_{it} + \beta_2 LLP_{it} + \beta_3 CAR_{it} + \beta_4 NPLTL_{it} + \beta_5 TLTD_{it} + \beta_6 SIZE_{it} + \varepsilon_{it}$$

#### Model 2

$$ROE_{it} = \beta_0 + \beta_1 NPL_{it} + \beta_2 LLP_{it} + \beta_3 CAR_{it} + \beta_4 NPLTL_{it} + \beta_5 TLTD_{it} + \beta_6 SIZE_{it} + \varepsilon_{it}$$

Where,

NPL = Non-performing loan defined as ratio of non- performing loan to total loan of firm.

### METHODOLOGICAL ASPECTS

This study is based on the secondary data that were collected from 13 banks of Nepal including Government Bank and non-government banks. The main sources of data are Banking and Financial Statistics, Bank Supervision Report published by Nepal Rastra Bank and annual reports of the banks. These data were collected and analysed from 2010 to 2017. Descriptive research design has been followed. Out of 28 commercial banks 13 commercial banks were selected as a sample using judgmental basis. The tools like Mean, standard deviation, correlation and regression analysis have been done through SPSS V 22 to analyze the data.

The list of sample banks selected for the study along with the study period and number of observations are presented in Table 2.

$LLP_{it}$  = Loan loss provision defined as expenses set aside as an allowances for bad loans.

$CAR_{it}$  = Capital Adequacy Ratio defined as capital fund to risk weighted assets of firm.

$NPLTL_{it}$  = Ratio of loan loss provision to total loan of firm.

$TLTD_{it}$  = Ratio of total loan to total deposit of firm.

$SIZE_{it}$  = Size of the firm defined as natural logarithm of total assets of bank.

$ROA_{it}$  = Return on Assets of firm defined as percentage ratio of net income to total assets.

## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

$ROE_{it}$  = Return on Equity of firm defined as percentage ratio of net income to total equity

$\epsilon_{it}$  = Error

### Return on Assets

Return on assets is used as dependent variables, because it is an indicator of managerial efficacy (Ekwe&Daru, 2012). It further indicates the efficiency of the management of a company in generating net income from all the resources of the institution (Khravish, 2011). Wen (2010) stated that a higher ROA indicates that the company is more efficient in using its resources.

### Return on Equity

ROE is also the measuring tools of bank profitability which basically measures the return that shareholders can obtain it's from utilizing the capital structure efficiently by the firm management. King & Santor et al. (2008) states that the variable considers as the main variable to express the capital structure which is measured by dividing the book value of total liabilities to the book value of total assets.

### Non-Performing Loan to Total Loan

Credit risk is one of the most important areas of risk management. It plays an important role mainly for banking institution, which try to develop their own credit risk models in order to increase bank portfolio quality (Poudel, 2013). Among the various types of risk, credit risk is the primary cause of the bank failure (Bhattacharya & Roy, 2008). The proxy of credit risk are non-performing loan ratios and provisions for loan loss ratios. Mamman and Oluyemi (1994) states that NPL is negatively related with profitability. Based on above discussion, following hypothesis have been developed:

*H1: NPLTL is negatively related to ROA.*

*H2: NPLTL is negatively related to ROE.*

### Loan Loss Provision

Loan loss provision are the expenses set aside as an allowances for bad loans such as customer defaults. Mustafa, Ansari & Younis (2012) examined the impact of loan loss provisions of the banks on the performance of the banks and discovered that well managed bank is perceived to be of lower loan loss provision and such an advantage will be translated into higher profitability. Similarly, Funso et al. (2012) revealed that there exist a negative relationship between loan loss provision (LLP) and return on equity (ROE) and return on asset (ROA). Based

on above discussion, following hypothesis have been developed:

H1: There is a negative relationship between LLP and ROA.

H2: There is a negative relationship between LLP and ROE.

### Total Loan to Total Deposit Ratio

Total loan to Total deposit (TLTD) ratio examines bank liquidity by measuring the funds that a bank has utilized into loans from the collected deposits. The hypothesis test of TLTD related with ROA & ROE. It is measured in terms of loan to deposit ratio. Kithinji (2010), Gul et al. (2011) and Aghababaei et al. (2017) found positive relationship of total loan to total deposit (TLTD) with return on assets (ROA). Based on above discussion, following hypothesis have been developed:

H1: There is positive relationship between TLTD and ROA

H2: There is positive relationship between TLTD and ROE.

### Banks' Size

The total market value of the securities in a mutual fund's portfolio. Total assets or total net assets are also used to describe a fund's size. It represents total share of the individual bank in the market it is measured as the ratio of asset of commercial bank in Nepal. Vighneswara & Swamy (2012) found bank size has strong negative effect on the level of NPL. ). Based on above discussion, following hypothesis have been developed:

H1: There is negative relationship between bank size and return on assets

H2: There is negative relationship between bank size and return on assets.

### Capital Adequacy Ratio

Capital adequacy ratio is measure of bank ability to meet its obligations relatives to risk. As noted by Makri et al. (2014) capital adequacy determines risk behavior of banks. It is measure of banks solvency and ability to absorb risk. Thus, this ratio is used to protect depositors and promote stability and efficiency of financial system. Ochei (2013), Sangmi and Nazir (2010) and Uyen (2011) found capital adequacy ratio (CAR) is positively related to bank's profitability. Based on above discussion, following hypothesis have been developed:

## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

H1: There is positive relationship between capital adequacy ratio and bank performance.

### Non-Performing Loan

Non-performing loan (NPL) is the default rate on total loan and advances. Gizaw, Kebede and Selvaraj (2015) assert that non-performing loan (NPL) is the major indicator of commercial banks' credit risk. They find that NPLR has statistically significant large negative effect on profitability measured by ROA. However, Felix

and Claudine (2008), Kargi (2011) and Kodithuwakku (2015) found an adverse impact of non-performing loans on the profitability. Based on above discussion, following hypothesis have been developed:

H1: There is negative relationship between non-performing loan and ROA.

H2: There is negative relationship between non-performing loan and ROE.

## RESULTS AND DISCUSSION

### Descriptive Statistics

**Table3.** Presents the descriptive statistics of selected dependent and independent variables during the period 2010 to 2017.

	N	Mean	Std. Deviation
ROA	104	2.065	1.912
ROE	104	.2341	.356
CAR	104	8.563	11.223
TLTD	104	.663	.2594
LLP	104	2.892	.482
SIZE	104	4.616	.282
NPL	104	2.531	.865
NPLTL	104	2.742	4.142
Valid N (list wise)	104		

This table shows the descriptive statistics of dependent and independent variables of commercial banks for the study period of 2010 to 2017. Dependent variables are ROA (return on assets defined as net profit to total assets), ROE (return on equity defined as net profit to total equity) and independent variables are NPL (non-performing loan defined as ratio of loan loss provision to total loan of firm), NPLTL (non-performing loan to total loan

defined as Ratio of loan loss provision to total loan of firm), LLP (loan loss provision defined as expenses set aside as an allowances for bad loans), CAR (capital adequacy ratio defined as capital fund to risk weighted assets of firm), TLTD (total loan to total deposit defined as ratio of total loan to total deposit of firm), SIZE (bank size defined as natural logarithm of total assets of bank) of Nepalese government banks.

### Correlation Analysis

Having indicated the descriptive statistics, the Pearson correlation coefficients are computed and the results are presented in the following table:- More specifically, it shows the correlation coefficients for government banks.

**Table4.** Pearson correlation matrix for selected Nepalese government banks

	ROA	ROE	CAR	TLTD	LLP	SIZE	NPL	NPLTL
ROA	1							
ROE	-.163	1						
CAR	.168	.361	1					
TLTD	.587**	.071	.788**	1				
LLP	.849**	.071	.139	.524**	1			
SIZE	-.013	.383	.120	-.130	.332	1		
NPL	-.782**	-.073	.258	.543**	.738**	.078	1	
NPLTL	-.493*	-.375	-.602**	-.101	.585**	-.088	.442*	1

\*\* is correlation is significant at 0.01 level (2-tailed), \* is correlation is significant at 0.05 level (2-tailed)

The table 4 shows that the NPL has negative relation with ROA, TLTD, NPL and LLP

statistically significant at 1 percent level of significance. This result shows that increase in

## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

CAR, TLTD, LLP, increase ROA. Similarly SIZE, NPL, NPLTL has negative relationship with ROA. Likewise NPL, NPLTL has negative relationship with ROE. This result is based on panel data of 3 banks with 24 observations for the period of 2010 to 2017, by using linear regression model. This table reveals the regression analysis between dependent variable and independent variables. Where, dependent variables are ROA (return on assets defined as net profit to total assets) and ROE (return on equity defined as net profit to total equity) and independent variables are NPL (non-performing

loan defined as ratio of loan loss provision to total loan of firm), NPLTL (non-performing loan to total loan defined as Ratio of loan loss provision to total loan of firm), LLP (loan loss provision defined as expenses set aside as allowances for bad loans), CAR (capital adequacy ratio defined as capital fund to risk weighted assets of firm), TLTD (total loan to total deposit defined as Ratio of total loan to total deposit of firm), SIZE (bank size defined as natural logarithm of total assets of bank) of Nepalese government banks.

**Table5.** Pearson correlation matrix for selected Nepalese private banks

	ROA	ROE	CAR	TLTD	LLP	SIZE	NPL	NPLTL
ROA	1							
ROE	.195	1						
CAR	.010	-.139	1					
TLTD	.037	.041	-.134	1				
LLP	.289**	.313**	-.420**	.056	1			
SIZE	.177	-.031	.155	.149	.445**	1		
NPL	-.124	-.202	-.267*	-.186	.724**	.358**	1	
NPLTL	-.226*	-.407**	-.741**	-.024	.518**	-.304**	.405**	1

\*\* is correlation is significant at 0.01 level (2-tailed), \* is correlation is significant at 0.05 level (2-tailed)

This result is based on panel data of 13 banks with 104 observations for the period of 2010 to 2017, by using linear regression model. This table reveals the regression analysis between dependent variable and independent variables. Where, dependent variables are ROA (return on assets defined as net profit to total assets), ROE (return on equity defined as net profit to total equity) and independent variables are NPL (non-performing loan defined as ratio of loan loss provision to total loan of firm), NPLTL (non-performing loan to total loan defined as Ratio of loan loss provision to total loan of firm), LLP (loan loss provision defined as expenses set aside as allowances for bad

loans), CAR (capital adequacy ratio defined as capital fund to risk weighted assets of firm), TLTD (total loan to total deposit defined as Ratio of total loan to total deposit of firm), SIZE (bank size defined as natural logarithm of total assets of bank) of Nepalese private banks

The table 5 shows that the NPL has negative relation with ROA. TLTD, NPL and LLP statistically significant at 1 percent level of significance. This result shows that increase in CAR, TLTD, and LLP, increase ROA. Similarly NPL, NPLTL has negative relationship with ROA. Likewise NPL, NPLTL has negative relationship with ROE.

**Table6.** Regression result of Government Bank

Variables	ROA	ROE
Constant	-4.879 (-1.01)	-5.402 (-0.81)
CAR	0.02 (1.008)	0.022 (0.778)
TLTD	0.226 (0.155)	0.427 (0.212)
LLP	4.773 (3.2)	0.813 (0.397)
SIZE	-2.57 (-1.75)	1.83 (0.90)
NPL	-0.9 (-2.12)	-0.104 (-0.179)
NPLTL	-0.123 (-1.87)	-0.033 (0.369)

This result is based on panel data of 3 banks with 24 observations for the period of 2010 to 2017, by using linear regression model. This table reveals the regression analysis between dependent variable and independent variables. Where, dependent variables are ROA (return on assets defined as net profit to total assets) and

ROE (return on equity defined as net profit to total equity) and independent variables are NPL (non-performing loan defined as ratio of loan loss provision to total loan of firm), NPLTL (non-performing loan to total loan defined as Ratio of loan loss provision to total loan of firm), LLP (loan loss provision defined as

## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

expenses set aside as an allowances for bad loans), CAR (capital adequacy ratio defined as capital fund to risk weighted assets of firm), TLTD (total loan to total deposit defined as Ratio of total loan to total deposit of firm), SIZE (bank size defined as natural logarithm of total assets of bank) of Nepalese government banks.

The result shows that CAR, TLTD, and LLP have positive relationship with ROA. It indicates that the increase in CAR, TLTD and

**Table 7.** Regression Result of Private Bank

Variables	ROA	ROE
Constant	7.47 (1.60)	-0.065 (-1.3)
CAR	0.225 (2.80)	0.025 (2.69)
TLTD	0.927 (1.06)	0.066 (0.70)
LLP	4.96 (4.23)**	0.109 (0.864)
SIZE	4.74 (3.70)	0.052 (0.37)
NPL	-0.31 (-0.74)	-0.027 (-0.603)
NPLTL	-0.01 (-0.014)	- 0.032 (3.327)**

This result is based on panel data of 13 banks with 104 observations for the period of 2010 to 2017, by using linear regression model. This table reveals the regression analysis between dependent variable and independent variables. Where, dependent variables are ROA (return on assets defined as net profit to total assets), ROE (return on equity defined as net profit to total equity) and independent variables are NPL (non-performing loan defined as ratio of loan loss provision to total loan of firm), NPLTL (non-performing loan to total loan defined as Ratio of loan loss provision to total loan of firm), LLP (loan loss provision defined as expenses set aside as an allowances for bad loans), CAR (capital adequacy ratio defined as capital fund to risk weighted assets of firm), TLTD (total loan to total deposit defined as Ratio of total loan to total deposit of firm), SIZE (bank size defined as natural logarithm of total assets of bank) of Nepalese private banks. The regression result of private bank indicates that the CAR, TLTD, LLP, and SIZE have positive relation with ROA and ROE. It indicates that higher the CAR, TLTD, LLP and SIZE higher would be the ROA and ROE. The result also shows that NPL and NPLTL have negative relationship with the ROA and ROE which indicates that increase in NPL and NPLTL would increase the ROA and ROE.

## SUMMARY AND CONCLUSION

The credit function of banks enhances the ability of investors to exploit desired profitable ventures. Credit risk plays an important role on

LLP leads to increase the ROA. The result also shows that CAR, TLTD, and SIZE have positive relationship with ROE which means higher the CAR, TLTD and SIZE, higher would be the ROE. Similarly, SIZE, NPL and NPLTL have negative relationship with ROA which means higher the SIZE, NPL and NPLTL lower would be the ROA. Likewise, NPL and NPLTL have negative relationship with ROE which indicates that higher the, NPL and NPLTL, lower would be the ROE.

banks' profitability since a large chunk of banks' revenue accrues from loans from which interest is derived. The issue of non-performing loans (NPL) has gained increasing attentions in the last few decades. The immediate consequence of large amount of NPLs in the banking system is bank failure. The major objective of the study is to analyze the impact of non-performing loan to bank profitability in context of Nepalese commercial banks. Its specific objectives are: to investigate non-performing loan characteristics of Nepalese commercial banks, to examine the effect of loan loss provision on profitability of Nepalese commercial banks, to assess the impact of total loan to total deposit on profitability in Nepalese commercial banks.

This study attempts to examine the impact of non-performing loan on profitability of Nepalese commercial banks. This study is based on secondary data of 3 Nepalese government banks and 10 Nepalese private banks with 104 observations for the period of 2010 to 2017.

The major conclusion of this study is that there is a negative impact of non-performing loan on return on assets in context of Nepalese government banks. Non-performing loan variables like non-performing loan to total loan (NPLTL), and size has negative relationship with ROA of selected government bank. The result shows that higher the portion non-performing loan (NPL), Non-performing to total loan (NPLTL) and bank size lower would be the profitability of the Nepalese government banks.

This study also concludes that capital adequacy ratio (CAR), firm loan loss provision (LLP) total loan to total deposit ratio (TLTD) of government bank have positive relationship with firms profitability i.e. ROA. Similarly, non-performing loan (NPL), non-performing loan to total loan (NPLTL), loan loss provision (LLP) have negative impact on firm profitability i.e. ROE.

This study also concludes that in context of Nepalese commercial banks capital adequacy ratio (CAR), total loan to total deposit (TLTD), loan loss provision (LLP), and have positive relationship with firm's profitability.

Lack of proper financial analysis of the borrower by the banks, is one of the major cause behind increasing NPA of Nepalese commercial banks. Therefore, proper financial analysis should be performed before giving loan to the borrower.

Those banks, which have high level of NPA, should take necessary action towards recovering their bad loan as possible. In case of doubtful to repay the loan by the borrower, the bank should dispose off the collateral taken from them and recover the principal and the interest amount there of.

### Implications for Future Research

With this research on the relationship between non performing asset and profitability, this area is ripe for future research. As is common in survey research, data are cross-sectional and self-report. There are several significant issues to be considered for future research. The researcher also believes that extensive study with larger and more representative sample is important to give more generalized picture of the work activities performed in Nepalese context. Further research might be carried out with more sample of banks, as this study only based on thirteen commercial banks of Nepal. It may give new understanding the subject phenomenon. Last but not the least, the next few years are likely to see increased global competitiveness in the Nepalese business environment, and the banking sector will also mature in terms of operational years. Therefore, it would be interesting to expand the survey to provide longitudinal survey of nonperforming assets change documenting changes overtime in the adoption of strategy and significant influence of the performance of the banks.

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## Non-Performing Asset and its Effects on Profitability of Nepalese Commercial Banks

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