Measuring The Financial Stability of Nepalese Commercial Banks: A Decade Long Study

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ABSTRACT

This study assesses the financial stability of fifteen Nepalese commercial banks over a decade (2014/15–2023/24) using the CAMEL framework, addressing the lack of long-run comparative evaluations in emerging economies. Using descriptive statistics, the analysis examines trends and variability in capital adequacy, asset quality, management efficiency, earnings, and liquidity. Results show that all banks consistently met regulatory thresholds, reflecting strong capitalization, sound credit risk management, and stable liquidity positions. Capital adequacy remained well above the minimum requirement, NPL ratios stayed below 5%, and ROA indicated effective managerial performance, though ROE exhibited moderate volatility due to interest-rate sensitivity. Liquidity remained robust across banks, supporting sustainable credit operations. Overall, the decade-long evidence confirms that Nepalese commercial banks have maintained resilient financial health, demonstrating stability, profitability, and capacity to absorb shocks, while offering regulators and policymakers a clearer understanding of the system's long-term performance dynamics.

Keywords: Financial stability, Commercial Banks, Longgitudinal study, Nepalese case

INTRODUCTION

The dependent economies (low- and middle-income countries) have increasing corporate banking stability that determines the

rate of economic modernization. Commercial banks in Nepal that facilitate the flow of most household savings and business credit are not only the instruments of financial intermediation but also sources of potential pressure to the system. With integrated financial interconnection, it is vital to evaluate the strengths of these banks to cushion the development benefits through impeding the effects of crises contagion. Fragility in banks can provoke the systemic crisis: when banks collapse there are likely to be contractions of credit to and contagion throughout the economy thus the importance of sound supervision and early warning techniques (Pradhan, 2023). According to Karmacharya (2023) commercial banks health is one of the factors that define the economic state of emergent economies. A well-established tool for evaluating bank soundness is the CAMEL framework, which assesses Capital adequacy, Asset quality, Management, Earnings, and Liquidity. Since its introduction in the 1970s (Cargill, 1989), CAMEL has been widely adopted by regulators and researchers. The framework has been used both by regulators and researchers to benchmark interbank performance and to monitor systemic resilience.

Capital adequacy ensures resilience against unexpected losses. Study such as Baral (2005) and NRB (2022) highlight that strong capital adequacy provides a buffer against unexpected losses, ensuring solvency and depositor confidence while Asset Quality reflects the sustainability of loan portfolios and exposure to credit risk. The ratios of non-performing loans undermine bank profitability and its solvency particularly in emerging markets where legal and institutional frameworks establish loan recovery activities are weaker (Gnawali, 2018; Shrestha & Gnawali, 2022). In Nepal, even though NPL ratios in general have remained within the regulatory threshold, the differences among banks should arouse concerns about both credit assessment standards and credit

risk management performances (Bhandari & Dhakal, 2024; Bhattarai, 2016). Management Quality, proxied by return on assets, captures the effective use of resources and governance structures. It has been empirically observed that organizational structure mismanagement could enlarge the operating risks, weaken the profitability, and lower resilience in an economic downturn (Pandey & Joshi, 2023).

Earnings performance, measured through indicators such as return on equity, is central to capital generation and long-term viability but remains highly sensitive to interest rate cycles. According to the literature on Nepal banks, a majority of the companies have a higher ROE compared to the regulatory standard, which affirms that the organizations can achieve returns despite the macroeconomic environment being volatile (Niraula, Pradhan, Mainali, & Palikhe, 2024; Shrestha & Gnawali, 2022) .But the heavily interest-dependent nature of its earnings highlights the sensitivity of the earnings to interest rates cycles and credit. Finally, Liquidity positions determine banks' ability to meet short-term obligations and withstand depositor runs, particularly in economies vulnerable to capital flow reversals. In Nepal, evidence indicates that the banks have broadly complied with the liquidity rules set by the NRB, but at some time, smaller banks experience stricter liquidity conditions than their big and diverse counterparts (Khati, 2020; Ojha, 2018).

In all these dimensions, previous analysis on Nepalese banks has majorly been descriptive in nature and mostly analyzing the financials with the reference of set standards within the financials such as the financial ratios and their comparison with the regulatory limit of the ratios. As useful a snapshot as such studies can be, they frequently do not relate CAMEL dimensions to a more general construct of financial stability. In addition, most of the available studies examine short-run periods which reduces

understanding of how banks fare during an economic cycle. The purpose of this study is to evaluate the long-term financial stability of Nepal's commercial banks over the last decade using CAMEL indicators.

Even though some studies used the CAMEL framework on the Nepal commercial banks previously, they tend to provide limited time period findings. They tend to evaluate compliance with regulatory limits but do not include a long-horizon inter-bank comparative analysis. Consequently, there is no coherent perspective of how the dimensions of the CAMEL come together to give accounts of the changing stability of commercial banking business in Nepal.

This study fills such a gap by describing and analyzing the detail of commercial Nepal banks, which is in 15 as a whole within a decade with the help of CAMEL indicators. Through the demonstration of long-run trends and cross-bank comparisons of capital adequacy, asset quality, management efficiency, earnings and liquidity, the study is to explore a more systematic indication of stability as compared to the earlier short-run evaluations. The results provide insights of value to regulators, policy makers, and practitioners in terms of the different areas where banks perform consistently to achieve the regulatory standards and the dimensions on which there has been relative variability.

METHODOLOGY

Research Design

In this research study, the research design is descriptive where CAMEL model (Capital adequacy; Asset quality; Management efficiency; Earnings; and Liquidity) is used to assess the financial stability of Nepalese commercial banks. This is not about explanatory or causal modeling, but rather on performance

indicator summarization and comparison both across institutions and over time as similar to (Baral, 2005; G. K. Sah & Pokharel, 2023; Shah & Tiwari, 2023; Shrestha & Gnawali, 2022).

Data and Sample

The sample consists of 15 Class "A" commercial banks operating in Nepal in terms of a constant operation and data availability. The study period is taken as fiscal years of 2014/15 to 2023/24, where ten years includes both years of stable growth and years of financial stress. Secondary sources of data were taken as the annual reports of banks and official publication of Nepal Rastra Bank (NRB), the central regulatory body.

Measurement and variables

All the CAMEL framework dimensions were operationalized as known standard financial ratios utilized by financial regulators and past researchers.

ROA is actually a measure of profitability, but is conventionally situated within the Earnings (E) section of the CAMEL framework; however, in this work it has been viewed as underlying within the Management (M) section. The justification lies in the fact that profitability which is expressed in terms of ROA is both greatly a function of managerial competence in resource allocation, cost control, and organization of asset use. The higher the ROA, the more it means that the management has effectively turned the assets of the bank into net income, and when the ROA is low, that is an indication of poor managerial performance in this aspect. In that way, ROA will be used in this context as the proxy indicator of management quality to show the strong correlation between effective managerial routines and the ongoing profitability of the bank that directly affects the financial stability of banks (McClure, 2021) as shown in table 1.

Table 1. Measurement and variables with CAMEL framework

CAMEL Components	Variables	References	Notation
Capital Adequacy	Capital Adequacy Ratio	(Baral, 2005)	CAR
Asset Quality	Non-Performing Loan Ratio	(Gautam, 2020)	NPLR
Management Quality	Return on Asset	(McClure, 2021; Pradhan, Kothari, & Chalise, 2023)	ROA
Earnings	Return on Equity	(Risal & Panta, 2019)	ROE
Liquidity	Total Deposit to Asset Ratio	(Bhandari & Dhakal, 2024)	TDAR

$$\text{Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital+Tier 2 Capital}}{\text{Risk Weighted Asset}} \times 100,$$

$$\text{Non-Performing Loan Ratio} = \frac{\text{Non-Performing Loans}}{\text{Total Loan \& Advance}} \times 100,$$

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Total Asset}} \times 100,$$

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder's Equity}} \times 100,$$

$$\text{Total Deposit to Asset Ratio} = \frac{\text{Total Deposits}}{\text{Total Asset}} \times 100$$

Analytical Tools

In every variable, descriptive statistics of mean, standard deviation, coefficient of variation, minimum, and maximum were calculated. The statistics have been utilized to determine average performance, stability, and variability of CAMEL dimensions bank wise and across time, whereas the coefficient of variation (CV) should standardize the variability of the financial performance of the variable in relation to the mean, and lower CRs should show a more stable and predictable performance over time as shown in tables 2 to 6.

Table 2. Capital Adequacy Ratio

Capital Adequacy Ratio

Bank	2080/81	2079/80	2078/79	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	Mean	SD	CV	Max	Min
ADBL	13.4773	15.0967	16.4687	17.6986	20.5485	20.7884	20.9867	21.294	17.728	14.4295	17.8516	2.9432	0.1649	21.294	13.4773
CBL	13.5902	12.5176	21.5216	14.0728	15.6305	14.8742	14.3427	17.4062	12.7757	13.7127	15.0444	2.6825	0.1783	21.5216	12.5176
EBL	12.6832	13.6974	12.2244	12.8871	37.2761	14.1569	14.6068	14.1061	6.7501	13.7488	15.2137	8.0711	0.5305	37.2761	6.7501
GIBL	23.6892	13.7543	13.0556	13.631	13.405	13.1966	12.3115	11.9667	12.8883	13.2248	14.1123	3.4102	0.2416	23.6892	11.9667
HBL	12.0631	12.8079	12.2536	14.4963	15.6771	13.2846	13.1425	12.8089	11.4307	11.779	12.9744	1.2894	0.0994	15.6771	11.4307
KBL	11.9995	12.5972	13.349	13.9615	15.9686	12.2325	13.8932	13.8932	12.5685	11.5331	13.1997	1.2973	0.0983	15.9686	11.5331
MBL	14.3283	14.1439	13.727	12.384	13.3757	13.146	15.955	17.3383	12.7266	12.6109	13.9736	1.5792	0.113	17.3383	12.384
NBL	13.0415	14.3014	15.9108	17.6199	17.9728	17.7401	11.842	15.1599	10.864	7.9977	14.245	3.3133	0.2326	17.9728	7.9977
NIBL	12.5943	12.8521	13.8148	13.1529	13.5266	12.9392	13.598	12.9738	12.2522	11.8013	12.9505	0.6222	0.048	13.8148	11.8013
NIMBL	13.3726	13.6293	16.6061	15.3049	13.9803	13.6851	13.0686	13.4197	15.3764	12.2963	14.0739	1.2941	0.0919	16.6061	12.2963
NMB	13.2565	13.73	13.9832	15.5407	15.5967	15.8984	16.543	14.2924	11.2725	11.423	14.1537	1.812	0.128	16.543	11.2725
PCBL	12.4469	12.7049	13.6993	15.3999	14.418	13.3144	12.7541	13.8384	12.1251	12.7199	13.3421	1.0104	0.0757	15.3999	12.1251
RBB	11.7537	12.8821	14.0111	14.1963	13.4075	14.215	12.0141	12.0141	11.2349	1.2129	11.6942	3.8385	0.3282	14.215	1.2129
SANIMA	13.5828	14.8037	14.023	13.9293	13.392	13.7533	12.9117	15.9946	12.6867	11.5237	13.6601	1.2074	0.0884	15.9946	11.5237
SBL	12.3809	12.9739	13.5445	13.8895	13.757	13.3385	12.7661	13.4147	11.6118	11.6079	12.9285	0.83	0.0642	13.8895	11.6079

Table 3. Non-Performing Loan Ratio

Non- Performing Loan Ratio

Bank	2080/81	2079/80	2078/79	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	Mean	SD	CV	Max	Min
ADBL	3.91	2.78	2.09	1.88	2.84	3.29	3.41	2.97	4.36	5.53	3.306	1.0828	0.3275	5.53	1.88
CBL	4.1	3.39	2.22	1.64	1.55	1.13	1.48	2.02	1.38	1.53	2.044	0.9624	0.4709	4.1	1.13
EBL	0.73	0.79	0.12	0.12	0.22	0.16	0.2	0.25	0.38	0.66	0.363	0.2634	0.7257	0.79	0.12
GIBL	4.17	3.15	1.28	1.41	1.76	0.55	0.77	1.6	1.89	2.23	1.881	1.088	0.5784	4.17	0.55
HBL	4.98	4.93	1.59	0.48	1.01	1.12	1.4	0.85	0.85	1.23	1.844	1.6684	0.9048	4.98	0.48
KBL	5.96	4.96	1.11	0.96	1.39	1.01	1.05	1.86	1.15	2.49	2.194	1.8005	0.8207	5.96	0.96
MBL	2.26	3.95	1.04	0.62	0.52	0.37	0.44	0.38	0.55	0.64	1.077	1.1563	1.0737	3.95	0.37
NBL	4.33	2.85	1.83	2.05	2.47	2.64	3.37	3.32	3.11	3.98	2.995	0.7948	0.2654	4.33	1.83
NIBL	4.45	3.39	1.62	0.84	0.98	0.74	0.55	0.8	1.14	1.82	1.633	1.2919	0.7911	4.45	0.55
NIMBL	4.91	4.54	1.49	2.46	2.91	2.78	1.38	0.83	0.68	1.25	2.323	1.4848	0.6392	4.91	0.68
NMB	3.4	2.75	1.45	2.27	2.68	0.82	0.88	1.68	1.81	0.42	1.816	0.9605	0.5289	3.4	0.42
PCBL	4.65	4.85	1.77	0.99	1.48	1	0.85	0.88	1.23	1.83	1.953	1.5153	0.7759	4.85	0.85
RBB	4.28	3.77	2.09	3.23	4.08	4.79	4.75	5.32	2.25	5.35	3.991	1.1639	0.2916	5.35	2.09
SANIMA	1.72	1.31	0.33	0.12	0.45	0.08	0.03	0.01	0.02	0.07	0.414	0.6054	1.4624	1.72	0.01
SBL	2.17	2.01	1.07	1	1.37	0.75	1.09	1.3	1.47	1.8	1.403	0.4629	0.3299	2.17	0.75

Table 4. Return on Asset

Return on Asset

Bank	2080/81	2079/80	2078/79	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	Mean	SD	CV	Max	Min
ADBL	0.9305	0.4981	0.9041	1.5858	1.858	2.8742	2.542	2.3176	2.4854	3.5743	1.957	0.9802	0.5008	3.5743	0.4981
CBL	0.5931	0.9369	1.0316	1.0719	1.0841	1.6236	1.5881	1.636	1.9808	1.8572	1.3403	0.4547	0.3392	1.9808	0.5931
EBL	1.2522	1.3444	1.1001	0.8367	1.36	1.7957	1.7828	1.7219	1.5193	1.5878	1.4301	0.3129	0.2188	1.7957	0.8367
GIBL	1.0153	1.2706	1.3755	1.2058	1.062	1.8212	1.6698	1.7207	1.5882	1.3842	1.4113	0.2798	0.1983	1.8212	1.0153
HBL	0.3481	0.4702	1.0946	1.68	1.6594	2.0757	1.6105	2.0307	1.9387	1.3433	1.4251	0.6142	0.431	2.0757	0.3481
KBL	0.5637	0.1361	1.2163	1.0384	0.7558	1.1683	1.6964	1.2914	1.6882	1.0563	1.0611	0.481	0.4533	1.6964	0.1361
MBL	0.0857	0.8712	0.9437	1.016	1.016	1.6125	1.4739	1.8897	1.5107	1.2643	1.1684	0.5049	0.4322	1.8897	0.0857
NBL	0.0084	1.1585	1.124	1.33	1.2204	1.514	2.3504	1.3416	2.4007	0.5485	1.2996	0.7191	0.5533	2.4007	0.0084
NIBL	1.1125	1.331	1.0138	1.5555	1.4571	2.1074	2.4736	2.5976	2.2232	1.7677	1.7639	0.5617	0.3184	2.5976	1.0138
NIMBL	0.8359	0.8339	1.5535	1.5613	1.1935	1.7887	2.1288	2.0621	1.9649	1.8784	1.5801	0.4802	0.3039	2.1288	0.8339
NMB	0.7612	1.1198	1.2899	1.1709	0.9544	1.6663	1.6494	1.5762	1.4075	1.1089	1.2704	0.3038	0.2392	1.6663	0.7612
PCBL	1.3138	0.4655	1.325	1.7121	1.4795	2.1503	1.8163	1.9037	2.0735	1.1574	1.5397	0.5052	0.3281	2.1503	0.4655
RBBL	0.5013	0.9124	1.2999	1.1044	1.6409	2.2289	1.8544	1.6215	1.3724	3.3343	1.5871	0.7843	0.4942	3.3343	0.5013
SANIMA	1.0252	1.2084	1.0873	1.4419	1.4063	2.0704	1.8487	1.9042	1.7821	1.5487	1.5323	0.3613	0.2358	2.0704	1.0252
SBL	1.0359	1.1073	1.0981	1.247	1.1748	1.4657	1.5884	0.1514	1.6485	1.5124	1.2029	0.4306	0.3579	1.6485	0.1514

Table 5. Return on Equity

Return on Equity

Bank	2080/81	2079/80	2078/79	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	Mean	SD	CV	Max	Min
ADBL	8.0174	3.9162	6.6726	11.1967	11.7023	15.3539	13.0104	12.6017	13.841	18.5304	11.4842	4.299	0.3743	18.5304	3.9162
NMB	7.7469	11.3333	12.2478	11.3227	8.1813	12.9706	11.2421	13.4559	15.5244	20.8746	12.4899	3.7424	0.2996	20.8746	7.7469
RBB	5.0808	7.0856	13.1364	11.9397	19.0074	23.3789	19.1878	22.9776	20.1704	54.1789	19.6144	13.7036	0.6987	54.1789	5.0808
GIBL	9.9947	11.336	13.1407	12.7295	10.0875	16.9111	15.4755	24.8277	22.5955	19.109	15.6207	5.1898	0.3322	24.8277	9.9947
MBL	0.9498	10.0641	11.6435	12.4958	10.9209	15.1029	12.0663	18.4711	17.1249	20.8862	12.9725	5.5244	0.4259	20.8862	0.9498
NIMBL	6.8285	6.6921	11.1721	11.0396	8.9176	12.9954	14.7132	33.6566	35.1457	41.0798	18.2241	13.0697	0.7172	41.0798	6.6921
HBL	3.3812	4.647	10.7566	14.8943	14.7063	17.2797	13.2235	33.5509	43.0304	33.3749	18.8845	13.2716	0.7028	43.0304	3.3812
NIBL	10.5614	11.2545	8.033	14.6017	13.3945	18.2799	19.3424	27.3633	25.8105	57.3636	20.6005	14.3966	0.6988	57.3636	8.033
CBL	6.1218	8.8905	9.827	9.5528	8.9323	11.7108	11.205	11.8908	29.9062	28.1992	13.6236	8.3117	0.6101	29.9062	6.1218
EBL	13.3187	13.2515	10.8772	8.562	13.5011	17.3283	16.001	44.323	65.9726	78.0366	28.1172	25.351	0.9016	78.0366	8.562
KBL	6.6322	1.4666	12.2836	10.4314	6.7118	10.4989	1.2595	9.5983	26.5291	16.2352	10.1647	7.3711	0.7252	26.5291	1.2595
SANIMA	11.4581	13.4462	12.3771	15.5314	13.8569	18.8336	15.7353	19.3237	21.1449	24.4738	16.6181	4.1991	0.2527	24.4738	11.4581
SBL	1.1438	12.5136	13.4387	13.993	13.3882	15.0202	13.8954	12.4665	16.7361	37.7652	15.0361	9.0254	0.6003	37.7652	1.1438
PCBL	11.4441	3.7827	10.3213	13.4495	10.9685	16.404	15.4023	15.4627	20.4696	22.0883	13.9793	5.2821	0.3779	22.0883	3.7827
NBL	0.0798	9.4122	8.243	8.9153	7.7683	8.8682	14.029	7.5718	16.5065	7.4841	8.8878	4.3167	0.4857	16.5065	0.0798

Table 6. Loan to Deposit Ratio

Loan to Deposit Ratio

Bank	2080/81	2079/80	2078/79	2077/78	2076/77	2075/76	2074/75	2073/74	2072/73	2071/72	Mean	SD	CV	Max	Min
ADB	84.8453	90.4512	106.512	92.5665	85.6285	92.6038	96.458	93.6382	91.4336	89.0223	92.3159	6.1121	0.0662	106.512	84.8453
CBL	81.9951	84.3052	88.1171	86.3485	90.9762	91.4689	93.9475	91.0606	91.2047	77.5481	87.6972	5.1281	0.0585	93.9475	77.5481
EBL	79.6389	84.621	89.7618	84.3671	82.9488	86.4465	81.5348	81.2748	72.4967	65.5675	80.8658	7.0489	0.0872	89.7618	65.5675
GIBL	78.6098	86.3488	97.066	89.0419	93.2617	94.1242	88.08	77.4851	81.4657	83.4668	86.895	6.6748	0.0768	97.066	77.4851
HBL	81.7758	86.4439	92.016	93.6696	85.201	89.1057	87.0404	82.2505	77.5747	72.719	84.7796	6.4201	0.0757	93.6696	72.719
KBL	83.8088	88.8132	89.6143	98.0687	98.2552	103.8964	104.7512	93.7188	77.6972	95.1689	93.3793	8.5736	0.0918	104.7512	77.6972
MBL	83.1126	84.7076	90.4532	89.1114	91.2597	91.0063	90.2635	88.466	83.4474	77.5044	86.9332	4.552	0.0524	91.2597	77.5044
NBL	71.2444	75.2743	90.5975	87.1913	75.4785	81.676	78.6572	78.0993	70.2695	65.3481	77.3836	7.6926	0.0994	90.5975	65.3481
NIBL	83.4725	85.5265	95.2027	92.4593	80.6526	81.961	83.5479	75.7278	69.0549	63.0086	81.0614	9.7827	0.1207	95.2027	63.0086
NIMBL	78.7574	87.9247	89.1907	92.7553	84.1551	85.1054	88.4614	83.2536	78.6717	73.0647	84.134	5.9253	0.0704	92.7553	73.0647
NMB	90.3958	93.2704	97.8635	94.9658	91.3975	93.7796	103.9986	14.5812	82.9718	74.3162	83.754	25.6099	0.3058	103.9986	14.5812
PCBL	89.9639	91.6841	95.9572	91.788	95.9064	98.0791	96.3253	96.7013	92.0601	79.5413	92.8007	5.3933	0.0581	98.0791	79.5413
RBB	60.0079	75.5288	87.8259	73.2669	67.2381	77.4406	73.9662	74.5088	58.7238	58.0255	70.6533	9.5695	0.1354	87.8259	58.0255
SANIMA	83.6435	69.4992	89.9487	95.9039	87.3607	93.36	88.9453	88.0405	87.1439	83.0075	86.6853	7.1952	0.083	95.9039	69.4992
SBL	83.3887	84.5859	96.5754	90.9813	91.3814	94.1057	91.0104	92.3974	95.808	81.257	90.1491	5.2989	0.0588	96.5754	81.257

The high solvency positions were confirmed as all the banks had CAR that was higher than the regulatory minimum of 11 percent. Agricultural Development Bank (ADB, 17.9%) had the highest mean CAR but its variance showed that they were exposed to fluctuations that are eventuated by the policies. Nepal Investment Bank (NIBL) and Prime commercial bank (PCBL) posted high CARs (CV < 8%) indicating conservative capital management. Conversely, Rastriya Banijya bank (RBB) and Global IME bank (GIBL) exhibited greater fluctuations, suggesting sensitivity to restructuring and expansion strategies.

Prudential limit of non-performing loans (NPLs) had been maintained below the 5 percent mark across all banks, indicating successful management of credit risks at the sectoral level. Nevertheless, interinstitutional variation was also significant. NPLRs in ADB, RBB, and Nepal Bank Limited (NBL) indicated some difficulties in the quality of the loan portfolio (3–4%). Conversely, Sanima bank and Everest Bank (EBL) have recorded the lowest NPLRs (less than 1%), which is indicative of strong risk-screening processes. Banks that have greater diversification of NPLR are indicative of poor credit management habits.

The Return on Assets (ROA) was 1.1 to 2.0 percent, comparable to the emerging economies of the world. The maximum ROA (3.6%), was best at ADB, showing good earnings in some years. On the other hand, NBL had the lowest ROA (0.01%), which is an indicator of inefficiency in its operations. Governance and cost-management issues were highlighted because GIBL, Sanima Bank, and NMB Bank had good ROA performance, but RBB and Himalayan bank (HBL) had high volatility (CV > 40%).

Shareholder returns, measured by ROE, ranged from 8 to 30 percent. EBL, NIMB**,** and HBL consistently delivered high returns, albeit with considerable variability. Sanima and PCBL offered moderate but stable ROE, which may appeal to risk-averse

investors. NBL recorded the lowest mean ROE (8.9%), reflecting weak profitability relative to peers. The volatility of ROE across several banks indicates that profitability remains sensitive to interest rate cycles and credit growth dynamics.

Loan to Deposits Ratios (LDR) were at good levels of 70-95 percent indicating sound liquidity control in the entire sector. The largest mean LDR was reported by Kumari Bank (KBL) which is characterized by aggressive credit issuance. Sanima Bank Limited (SBL) showed the highest stability in liquidity, but the NMB Bank has very high fluctuations, which can be regarded as a more dynamic and risky style of credit development. All in all, the liquidity positions indicate that banks had the capacity to meet their short-term commitments and lend.

FINDINGS

Descriptive CAMEL analysis shows that no commercial bank in Nepal performed below the minimum level, confirming stability in capital, asset quality, management, and liquidity as noted in past studies Baral (2005); Risal and Panta (2019); Shah and Tiwari (2023).

All banks maintained CAR above the 11% requirement, proving resilience against financial shocks. NMB, NBL, and ADB had significantly high averages, while NIBL and HBL maintained lower but consistent CARs. Basel implementation strengthened capital adequacy, and CAR was positively linked to financial performance as seen similar in Shah and Tiwari (2023).

NPL ratios of all banks stayed well below the 5% limit. SANIMA showed the highest variability, while GIBL, NMB, and SBL maintained stable, low NPLs, reflecting strong credit risk systems. Studies confirm that lower NPLs improve profitability and performance, aligning with the findings of Baral (2005).

ROA levels exceeded standard thresholds across all banks, showing strong management efficiency. NMB, SANIMA, and GIBL maintained consistently high ROA, while RBB and ADB were more variable but still profitable. Stable ROA was considered more attractive for long-term investors than volatile ROE as found in literature of Sah and Sahani (2024) which acts similar to Quality management similar to (Pradhan, 2017).

All banks showed positive ROE, with NIBL, EBL, and HBL reaching very high but volatile returns. SANIMA and PCBL delivered steady, moderate returns, appealing to conservative investors. ROE was found to positively impact ROA also seen in the study by Baral (2005). Nepalese banks kept LDR between 70–95% over the last decade, avoiding liquidity risks. SBL was the most stable, while NMB was the most volatile. High performers like HBL, EBL, and GIBL maintained moderate, stable LDRs. Findings confirm that stable LDR supports ROE and attracts long-term investors also hinted by Sah and Pokharel (2023)

CONCLUSION

The CAMEL approach analysis of the Nepal commercial banks revels that there has been stagnancy in the overall performances of the banks where none of the banks were performing below minimum threshold. The levels of capital adequacy were also high in all banks signifying that they are well-prepared to absorb financial shocks and to plan capital well. The quality of assets was also good with non-performing loans remaining well below the limits stipulated by the regulators which indicate that banks have strong credit risk management routines.

Both ROE and management effectiveness were positive among all the banks though the percentages were quite high in some banks regarding the ability of asset utilization. Similarly, the

profitability of shareholders was maintained by ROE values, although some of the banks were more volatile in nature whereas steady and sustainable performance covering a long period was also displayed by other banks appealing to the conservative investors.

Trading operations held good liquidity positions as indicated by loan-to-deposit percentages which reflect that trading operations are not exposed to high levels of credit extension risk. The stability of LDR in majority of banks exemplifies good liquidity management and the capability to conduct sustainable lending.

On the whole, Nepalese commercial banks show financial strength in terms of capital, asset quality, management, earnings, and liquidity that enable them to withstand shocks, remain profitable and attract the attention of investors.

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