

**PROSPECTS OF NEPALESE COMMERCIAL
BANK IN RELATION TO DEPOSIT
MOBILIZATION**

(A study to HBL, EBL, NIBL and BOK)

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DECLARATION

I hereby declare that the worked reported in this thesis entitled Prospect of Nepalese Commercial Banks In Relation to Deposit Mobilization submitted to Post Graduate Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment for the requirement of Master Degree in Business Studies (MBS) under the supervision of Mrs. Bandana Jain, Lecturer Post Graduate Campus, Biratnagar.

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Researcher

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ABBREVIATIONS

ABBS	=	Any Branch Banking Service
A.D.	=	After Domini
BI	=	Banking Index
BOK	=	Bank of Kathmandu
C.V	=	Coefficient of Variation
CAPM	=	Capital Assets Pricing Model
CS	=	Common Stock
DPS	=	Dividend Per Share
EBL	=	Everest Bank Limited
FI	=	Financial and Insurance Index
Fin&Ins	=	Finance and Insurance
GDP	=	Gross Domestic Product
HBL	=	Himalayan Bank Limited
HMG	=	His Majesty's Government
HPR	=	Holding Period Return
Ltd	=	Limited.
Mfg.Proc	=	Manufacturing and Processing
NIBL	=	Nepal Investment Bank Ltd
NRB	=	Nepal Rastra Bank
RBB	=	Rastriya BaniJya Bank
S.D.	=	Standard Deviation
T.U	=	Tribhuvan University

CHAPTER-I

INTRODUCTION

1.1 Background of the Study:

Capital formation is one of the important factors in economic development. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation and balance of payment and making the economic free from the burden of foreign debts. Domestic capital formation helps in making the country self sustainable. According to classical economists, one of the main factor which helped capital formation was the accumulation of capital. Profit made by part of the savings of the community constituted and what was saved was assumed to be invested. This capital formation plays a crucial role in determining the level and growth of national income and economic development. It seems unquestionable that the sufficient capital accumulation is the most serious limiting factor in underdeveloped countries. In the view of many economists, capital occupies the central and strategies position in the process of economic development in an underdeveloped economic. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such savings as most people have income so low that vertically all current income must be spend in maintaining a subsistence level and consumption.

For the development of any country, first it is required to have enough capital. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning. If there is enough capital available, it can invest into the profitable project and contribute little bit in the national G.D.P. Investment promotes economic growth and contribute to a saving account in a bank. For example; the bank must invest by lending the funds to various business companies. These firms in return may invest the money in new factories and equipments to increase there production. In addition borrowings from the bank's most issue stock's and bonds that they sell to issues bonds to obtain fund to invest in such projects as the construction of dam's roads and schools. All such investment by individuals, business and government involve a presto sacrifice of income to get an expected future benefits. As a results, investment raises a nation's standard of living

Nepal is least developed among developed countries of the world. Nepalese people are very poor. One of the case of pervasive poverty lack of economic growth. For proper and effective utilization of resources, it needs proper plan and strategies development and for plan huge amount of capital

investment is required. The lack of effective and trained human resources of advance technology and based on traditional agriculture are the main causes of poverty. Due to low per capital income, there is lack of saving and capital formulation. For the development of the country, it is very important to have adequate savings, which can be invested in productive sector. Due to low income, there is fewer savings. People spend all the money in consumption of necessary items. Some rich people who save money also invest in precise metal and some also on...it. People have no idea about the investment in productive line. Commercial banks are the main sources, which motive people to save there earnings. Banks collect the saving of people in the form of deposit collection and invest in the productive area. They give the loan to the needy people. Commercial banks mobilize the deposit in different sector which is collected from the people.

Realizing the importance of commercial banks HMG Nepal has been adopting the economic liberalization policy in establishing the commercial banks. Due to liberalization policy, made by government there has increased both number of financial companies and there has emerged the tough competition between them. At present there are 32 commercial banks in Nepal.

1.2 Emerging Concept and Expansion of bank in Nepal:

As in other countries goldsmith and money lender where the ancient bankers of Nepal which are also known as “Sahu mahajan”, “Tejarath Adda” were established during tenure of the prime minister Ranodip singh (B.S 1993) was the first steps towards the institutional development of banking in Nepal. Tejarath Adda did not collect deposit from the public but gave loans to government official and the public against the deposit of gold and silver.

Banking in true sense of term started with the inception of Nepal bank limited (NBL) on Kartik, 1994 B.S from its inception it carried out functions of a commercial banks, NBL paid more attention to profit generating activities. This is the first financial institution of the nation.

The economic and industrial development was stopped in Nepal from the second world war. After 2007 B.S the banking activity of Nepal were not satisfactory due to the political instability. At first Nepal bank limited was given the authority and established in Nepal. It issued Nepali notes on 7th Falgun 2016 B.S for the first time. This bank is the central bank of Nepal to look after the banking need of the country with the following objectives.

- To secure country wide circulation of Nepalese currency.

- To mobilize capital for economic development and stipulation it trade and industries.
- To step dual monetary system.
- To provide for issuance of notes.
- To achieve stability in its exchange rate.
- To apply monetarism in all part of the kingdom.
- To develop banking system in Nepal.

The central bank plays a significant role in developing country to develop the banking system for the mobilization of resources and using them in the priority areas to match development plan. So Nepal Rastra Bank has been authorized to play this role.

Rastriya Banijaya Bank was another important bank to established in Nepal in 2022 B.S The purpose of this bank was also to provide the facilities for the economic welfare of the general public. After the establishment of this bank, most of the braches and exchange counter of NRB(Nepal Rastriya bank) were gradually handed over to this bank. It's main features were to contribute to the development of the banking system throughout the country. Particularly the remote areas lying in the hilly regions which were not served by commercial bank. To fulfill the growing credit requirement and also to collect more deposit for the development projects, NRB adopted liberal policy and provided many facilities to probable bankers of Nepal and abroad. After this many joint venture banks began to establish.

Nepal Arab Bank Limited was the first joint venture banks of Nepal. Nepal Arab Bank Limited was established in 2041 B.S. was the outcome of joint venture with Dubai Bank Limited of United Arab Emirates. Nepal Indousez Bank (currently known as Nepal Investment Bank) was the second bank established under the joint venture in 2042 B.S. This bank is a joint venture between Nepal and French partners. Another bank with a joint venture between Nepal and United Kingdom, established in 1987 A.D. is Nepal Grind lays Bank (Currently known as Standard Chartered Bank).

After the restoration of democracy in 2046 B.S. NRB adopted more liberal attitude in opening of commercial banks. It also followed market oriented liberal economic policy for competitive banking system to attract private sector as well as foreign investor with their capital/skill and technology in banking business. The process of registration, while opening new commercial banks were simplified and commercial banks were given the facilities to maintain the interest rate based on competition according to open market policy.

Due to the liberal policy in establishing the commercial banks, other commercial banks come into existence during the 1990's under the foreign collaboration. At present there are altogether 32 commercial banks in operation in Nepal which are as listed below:

S.No	Commercial Banks	Head Office
1	Nepal Bank Ltd	Dharmapath, Kathmandu
2	Rastriya Banijya Bank Ltd	Singhadurbar, Kathmandu
3	Agricultural Development Bank Ltd	Ramshahath, Kathmandu
4	NABIL Bank Ltd	Kathmandu, Kathmandu
5	Nepal Investment Bank Ltd	Durbarmarga, Kathmandu
6	Standard Chartered Bank Ltd	Nayabaneshwor, Kathmandu
7	Nepal SBI Bank Ltd	Hatar, Kathmandu
8	Nepal Bangladesh Bank Ltd	Nayabaneshwor, Kathmandu
9	Himalayan Bank Ltd	Thamel, Kathmandu
10	Everest Bank Ltd	Lazimpath, Kathmandu
11	Bank of Kathmandu Ltd	Kamaladi, Kathmandu
12	Nepal Credit and Commerce Bank Ltd	Siddharthnagar, Rupendehi
13	Nepal Industrial and Commercial Banks Ltd	Biratnagar, Morang
14	Lumbini Bank Ltd	Nayayangadh, Chitawan
15	Machhapuchhare Bank Ltd	Pokhara, Kaski
16	Kumari Bank Ltd	Durbarmagra, Kathmandu
17	Laxmi Bank Ltd	Birjung, Parsa
18	Siddhartha Bank Ltd	Kamaladi, Kathmandu
19	Global Bank Ltd	Birjung, Parsa
20	Citizens Bank International Ltd	Kamaladi, Kathmandu
21	Prime Commercial Bank Ltd	Nayasadak, Kathmandu
22	Sunrise Bank Ltd	Gauridghara, Kathmandu
23	Bank of Asia Nepal Ltd	Tripureshwor, Kathmandu
24	Development Credit Bank Ltd	Kamaladi, Kathmandu
25	NMB Bank Ltd	Barmahal, Kathmandu
26	KIST Bank Ltd	Anamnagar, Kathmandu
27	Janata Bank Nepal Ltd	Nayabaneshowor, Kathmandu
28	Mega Bank Nepal Ltd	Kantipath, Kathmandu
29	Comerz and Trust Nepal Bank Ltd	Kamaldi, Kathmandu

30	Civil Bank Ltd	Kamaldi, Kathmandu
31	Century Commercial Bank Ltd	Putalisadak, Kathmandu
32	Sanima Bank Ltd	Nagpokhari, Kathmandu

Short description about each of the 4(four) bank's under study :

a. Everest Bank Limited (EBL):

Everest Bank Limited (EBL) started its operations in 1994 with a view and objectives of extending professionalized and efficient banking service to various segment of the society. The bank is providing customer-friendly service through its branch network. All the branches of bank are connected through any where banking system (AWBS), which enables customers to do their transaction from any branches other than they have their account. EBL is associated with Punjab National Bank (PNB), India as its joint venture partner in 1997.

With an aim to help Nepalese citizens working abroad, the bank has entered into arrangements with banks and finance companies in different countries which enables quick remittance of funds by the Nepalese citizens in countries like UAE, Kuwait, Bahrain, Qatar, Saudi Arabia, Malaysia, Singapore and U.K.

The bank has been focusing on expanding its operation outside Nepal and has identified some of the emerging economies which offer large business potential. Bank has also set up its representative office at New Delhi (India) to support Nepalese citizen remitting money and advising banking related services. The capital structure composition of EBL is as follows:

Paid up Capital	: 1,761,126,410
Reserve and Surplus	: 2,416,176,477
Debenture and Bonds	: -
Borrowing	: -
Total	: 4,177,302,887.

b. Himalayan Bank Limited (HBL):

Himalayan Bank Limited was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese banking sector, Himalayan Bank has been able to maintain to lead in the primary banking activities-Loans and deposits.

Legacy of Himalayan lives on in an institutional that's known through out Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Saving Account, HBL proprietary Card and Millionaire Deposit scheme besides services such as ATMs and Telebanking were first introduced by HBL. Other financial institutions in the country have been follower our lead by introducing similar products and services. Therefore, we stand for the innovations that we bring about in the country to help our customers, besides moderning the banking sector. With highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local banks under our credit standing with foreign correspondent banks, we believe we obviously lead the banking sector of Nepal. The most recent rating of HBL by banker's Almanac as country's number of 1 bank easily confirms our claim.

All branches of HBL are integrated into Globus (developed by Temenos), the single banking software where the bank provide service like Any Branch Facility, Internet Banking and SMS banking living up to the expectation and aspirations of the customer's and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Schemes, Small Business Enterprises loan, Pre-Paid Visa Card, International Travel Quota Credit Card Consumer Finance through Credit Card and online SAT, IELTS, etc fee payment facility and some of the products and services. HBL also has a dedicated offside 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel. HBL has developed exclusive and proprietary online money transfer software-Himal Remit TM. By departing our own staff with technical tie-ups with local exchange houses and banks, in the middle east and gulf region. HBL is the biggest inward remittance handling bank in Nepal. All this only reflects that HBL has on outside-in rather than inside-out approach where customer's needs and wants stand first. The capital structure composition of HBL is as follows:

Paid up Capital	:	2,760,000,000
Reserve and Surplus	:	1,872,010,133
Debenture and Bonds	:	5,00,000
Borrowings	:	-
Total	:	4,632,510,133

c. Nepal Investment Bank Limited (NIBL):

Nepal Investment Bank Limited (NIBL), previously Nepal Indousez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partners (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the longest banking group in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessman, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indousuez Bank Ltd. The name of the banks has been changed to Nepal Investment Bank Ltd. Upon approval of Bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's Office with the following shareholding structure.

A group of companies holding 50% of the capital .
Rastriya Banijya Bank holding 15% of the capital.
Rastriya Beema Sansthan holding the some percentage.

The remaining 20% being held by the General Public (Which means that NIBL is a company listed on the Nepal Stock Exchange). We believe that NIBL, which is managed by a team of experienced bankers and professionals having proven track record, can offer you what you're looking for. We are sure that your choice of a bank will be guided among other things by its reliability and professionalism. The capital structure composition of NIBL Bank Ltd is as follows:

Paid up Capital	: 3,766,155,250
Reserve & Surplus	: 2,283,785,925
Debenture and bonds	: 1,050,000,000
Borrowings	: 567,579,238.
Total	: 7,667,520,413

d. Bank of Kathmandu Limited (BOKL):

Bank of Kathmandu Limited has become a prominent name in the Nepalese banking sector. We would like to express our sincere gratitude to our customers, shareholders, employees and other stakeholders for their support and co-operation for leading the bank to the present height of achievement. We wish to reiterate here that whatever activity we undertake; we put on conscious efforts to glorify our corporate slogans. "We make your life easier."

The Bank would also like to elucidate that bank of Kathmandu is committed to delivering quality service to customer's generating good return to

shareholders, providing attractive incentives to employees and servicing the community through stronger corporate social responsibility endeavors.

Bank of Kathmandu Limited (BOK) has today become a landmark in the Nepalese Banking sector by being among the few commercial banks which is entirely managed by Nepalese professional and owned by the general public. BOK started its operation in March 1995 with the objective of stimulate the Nepalese Economy and take to newer heights. BOK also aims to facilitate the nation's economy and to become more competitive globally. To achieve these, BOK has been focusing on its set objectives right from the beginning. To highlight its few objectives:

- To contribute to the sustainable development of the nation by mobilizing domestic savings and channeling them to productive areas.
- To use the latest banking technology to provide better, reliable and efficient services at a reasonable cost.
- To facilitate trade by making financial transactions easier, faster and more reliable through relationship with foreign banks and money transfer agencies.
- To contribute to the overall social development of Nepal.

The capital Structure of BOK is as follows:

Paid up capital	: 1,684,396,700
Reserve & Surplus	: 1,016,441,687
Debenture & Bonds	: 2,00,000
Borrowing	: 1,82,900,000
Total	: 2,883,938,387.

1.3 Focus of the Study

Development of trade, industry and commerce are the prime requisite for the attainment of economic, social and political goals of any country. In development of economy, there should be proper utilization of resources. Commercial banks plays very important role in mobilizing the resources in any developing countries by developing the banking habit among the people collecting the small scattered resources in one bulk and utilizing them in further productive purpose and rendering other valuable services to the community.

Thus, commercial banks are the main institutions, which are meant for collection and utilization of small-Scattered savings of the people.

This study will focus on the study of different types of deposit and its proper mobilization in different sectors especially in productive area. Our main focus of the study is whether the sample banks are being able to pool the scattered resources and efficiently mobilizing them.

1.4 Statement of the Problem

Nepal is a developing country and rapid economic development is the basic need of the country. Development by its nature is not possible within a short period and it takes a long time. For the proper development of a country it has to build infrastructure. In Nepal the process of planned development started only after 1950 when the first five year plan came into practice.

Capital, in fact plays a leading role for the economic development of the country. There are various sources under external sources; loan and grants are main sources. Though, these sources are helpful for the economic development but they can't be considered as permanent. Moreover, external sources may push the country to dependent upon others. Under internal sources of accumulating capital taxes, public enterprises, public debt and other miscellaneous sources are popular in our country. But due to underdevelopment, poverty, lack of banking accumulated from internal sources. So it can be said that in Nepal's present situation, bank deposit is the dependable and permanent sources of capital accumulation.

In Nepal we have several commercial banks, which are very much considered to be the vital financial institution to mobilize domestic resources and also they have good performance in mobilizing the idle deposits. But this study mainly concentrates on the following four (4) banks:

Everest Bank Limited (EBL)
Himalayan Bank Limited (HBL)
Nepal Investment Bank Limited (NIBL)
Bank of Kathmandu Limited (BOK)

So this study determines how far the deposit above four banks is efficiently utilized. The present study will analyze the effectiveness of deposit mobilization of the sample banks. The problem specially related to deposit mobilization of commercial banks in Nepal has been presented briefly as under:

- Commercial banks of Nepal are considered as an efficient bank but how far are they efficient?

- Whether the condition of studied bank are sound from the view point of nation or from the view point of banking industry?
- What is the relationship of loan and advances with total deposit?
- Does the deposit increases by the changes of interest rate?
- Is commercial banks deposit mobilizing and investment policy more effective or not?

1.5. Objectives of the Study

The main objectives of the study is to find out the relationship between the amount of total deposits and total credit (Investment) granted by the sample banks in productive sector for the development of the economy. The specific objectives are as follows:

- To study the increasing or decreasing trend of deposit mobilization of sample banks.
- To determine how far the deposit of sample banks is efficiently utilized.
- To show the relationship of deposit and loans and advances of the sample banks.
- To suggest and recommend the major findings of the study.

1.6 Limitation of the study:

As the title specified the study is mainly concerned with the deposits and its mobilization of four (4) commercial banks. The study emphasized on deposits and its proper utilization of it. In deposit sector only, current saving and fixed deposits and its utilization in loan and advances are examined other limitations are as follows:

- This study covers 5 financial years i.e 2007/08 to 2011/2012
- This study is based on secondary data.
- This study concentrates mainly on deposit collections and its utilization by the sample banks.

1.7 Organization of the study:

This research has been organized in five (5) chapters as below:

Chapter I: Introduction:

The first chapter deals with introduction. This includes background, statement of problem, objectives of the study, significance of the study, limitation of the study.

Chapter II: Review of literature

Second chapter present review of available literature. It includes review from book, reports, article journal, previous thesis etc.

Chapter III: Research Methodology

Third chapter incorporates the research methodology used in the study which includes research design, sources of data population and samples, methods of data collection and analysis etc.

Chapter IV: Presentation and Analysis of data:

The fourth chapter deals with data collection from the different sources. Based on the data analysis of analysis of investors preferences will be made using statistical and non statistical tools. This chapter also includes major findings.

Chapter V: Summary, conclusion and Recommendation:

The fifth chapter includes summary, conclusion and offers suggestion for further improvement.

CHAPTER II

REVIEW OF LITERATURE

Under this topic the past researcher's thesis are reviewed and also books, articles, newspaper are reviewed and finally write down after getting knowledge of it. The previous study should also be reviewed because they provide the foundation to the present study. The review of literature provides the foundation for developing comprehensive theoretical framework from which hypothesis can be developed for testing. The literature survey also minimizes the risk of perusing the dead ends in research.

The purpose of reviewing the literature is to develop some expertise in one's area to see what new contribution can be made, and to receive some ideas for developing a research design.

2.1 Conceptual Review:

Under this heading the concept of the bank and banking transaction are describes after reading thoroughly the available books.

2.1.1 Meaning of bank:

The word "bank" has been derived from the Italian word "banco", which means bench. People used to do the monetary business sitting in a bench. So such business was given a name "Banco: and by this name the word "bank" has been derived.

An institution that does the business of money is called bank. Taking deposit from the public and lending money generates the banking operation. Bank is an institutional that is always ready to receive money on deposit and returns the deposited money through cheque when demanded by providing a certain rate of interest. Likewise, it also provides loan to the needy people by taking some valuable or expensive goods, house and land as a security. While providing loan, bank also charges a fixed rate of interest. Bank invest the collected amount of money in the productive sectors. Therefore, bank is an establishment, which trades of cash and credit. In order to collect the deposit from the people bank has opened different types of accounts in which current accounts, saving account and fixed deposit account are the most frequently used.

Banks are those financial institution that offer the widest range of financial services- especially credit, saving and payments services- and perform

the widest range of financial functions of any business firm in the economy. This multiplicity of bank services and functions of any business firm in the economy. This multiplicity of bank services and functions has led to banks being labeled “financial supermarkets” and to such familiar advertisement slogans as your bank- a full services financial institution.”

2.1.2 Concept of commercial banks:

“A commercial bankers is a dealer in money and substitutes fro money, such as cheque or bills of exchange. He also provides a variety of financial services. (Baidya; 2002:12)

“Commercial banks means a bank which operates currency exchange transactions, accepts deposits, provide loans and performs dealing relating to commerce, and other than those banks which have been specified for the co-operative, agriculture, industry of likely and other specific objectives”. (Nepal commercial bank act 1974).

Commercial banks are those banks that pool together the savings of the community and arrange for their productive use. They supply the financial needs of modern business by various means. They accept deposit from the public on the condition that they are repayable on demand or on short notice. Commercial banks restricted to invest their funds in corporate securities. Their business is confined to financing the short term needs of the trade and industry as working capital financing. They cannot finance in fixed assets. They also grant loans in the form of cash credits and overdrafts. Apart from the financing, they also renders services like collection of bills and cheques, safe keeping of valuable, financing advising etc to their customers.

2.1.3 Role of Commercial Banks in the Economic Development:

For the development of the economy, the supply of financial resources is a prerequisite. Finance is like fuel for providing energy to move the tempo of economic development and financial institution naturally, serve as reservoir for supplying and controlling the stream of the fuel i.e. Finance. The commercial banks are those financial institution dealing with the activities of agriculture industry, trade and commerce which plays a vital role for the economic development of the country.

Commercial banks receives surplus money of people in the various forms of deposits and lends those deposits to different business houses and corporate bodies that are in need of money in different form of loans and advances. Thus, it provide a link between surplus and deficit amount of the economy. Earning

profit to their shareholder is also the major aim of the commercial banks as money other business houses.

Commercial banks have been successful in becoming a heart of financial system as they hold deposits of government agencies, business firms, million of people of the nation and make them available through their lending and investing activities to other government agencies, business firms, million of people of the nation.

Like many other developing countries including Nepal has been facing the problem of accelerating the pace of economic development. In this respect the role of commercial bank in the country is crucial. The commercial banking system in Nepal is still in its infant stage. However, their important role in the economic development of the country has been fully realized and these banks are being oriented in their activities best suited for the overall economic development. Today there are 32 commercial banks in operation. Among these Nepal Bank Ltd. is the oldest one. Though these banks are not as modern as those of developed countries but they have been performing a leading role for the promotion of Agriculture, Trade and Commerce etc.

Nepal being an underdeveloped country, its industries, agriculture sector, trade and commerce are still in a state of infancy. Their development greatly depends upon the effective role of commercial banks. The insufficiency of capital for the establishment of the industries mobilization in agriculture etc has become a serious problem for the economic development in Nepal.

So finally we can conclude that the future of the country is greatly determined by the active role played by the commercial banks.

2.1.4 Functions of Commercial Banks.

The function of commercial banks defines the meaning of bank. It performs the following functions:

1. Accepting Deposit:

One of the major functions of commercial banks is to collect the deposit. Commercial banks accept the deposit from the public who has surplus funds. The bank allows for opening the three types of accounts to accept deposit for their customers. They are current, saving and fixed deposit account. The commercial banks perform the important function of accepting all sorts of deposits.

2. Advancing Loans:

Another function of the commercial bank is to provide loan to the needy people, company and institution etc. it provides loan in different terms and conditions. It provides the loan against the security of debtors. Advancing loan is also known as the function of deposit mobilization because bank provides the loan to the needy people from the deposit collected from the public loans are granted by banks in following forms:

Overdrafts

Cash Credit

Direct Loans

Discounting Bills of Exchange

3. Agency Services:

Commercial banks acts as an agency by performing various types of services on behalf of its customers. It makes payment of subscription, rent, insurance premium, collection of cheques, salaries, interest on behalf of the customers. By performing these services it charges a small amount as commission. In addition commercial banks also buys and sells a company's shares and government security on the request of its customers.

4. Credit Creation:

One of the most important function of the commercial banks is to create credit. To earn profits, commercial banks accept deposit and advances loans by keeping a small amount of cash in reserve for day-to-day transactions. When bank advances loan, it opens an account to draw money by cheque according to his needs. By granting a loan, the bank creates credit or deposit.

5. General Utility Services:

The commercial banks also performs some general utility services to the customers. Following are the general utility services performed by the commercial banks:

1. Financial Advising
2. Offers investment banking and Merchant Banking Services.
3. Safekeeping of valuables goods.
4. Assist in foreign trade.
5. Offers security brokerage services.
6. Making venture capital loans.

(Baidya; 2002:56).

2.1.5 Deposits

Deposit is the sum of money lodged with a bank, discount house or other financial institution. (Shrestha & Bhandari, 2059, P.g 28). Deposit is nothing more than the assets of an individual which is given to the bank for safe-keeping with an obligation to get something (interest) from it. It is important that a

commercial bank's deposit policy is the essential policy for its existence. The growth of bank depends primarily upon the growth of its deposits. The volume of funds that management will use for creating income, through loans and investments is determined largely by the bank's policy governing deposits. In other words, when the policy is restrictive the growth of a bank is retarded or accelerated with the liberalization in the deposit policy. In banking business the volume of credit extension much depends upon the deposit base of a bank. The deposit creating power of commercial banks forces to rise the assets along with the liabilities side of the balance sheet. In other words, assets give rise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors, and not by bank management. Thus, the bank have evolved from relatively passive acceptors of deposits to active bidders for funds. Deposits are one of the aspects of the bank liabilities that management has been influencing through deliberate actions. The policy of banks is respect of deposits is shaped by its operation horizon. If the bank is serving in a selective client, the bank is not worried for deposits to a large extent while mass demands more deposits, hence the policy will different for it. Bank policy is respect to deposits is clearly reflected in the option exercised by customers in using retail or wholesale banks. (Baidya, 2002:59).

Bank deposits arise in two ways. The first when the bankers receives cash and credits a customer's account, it is known as primary or a simple deposit. Such primary deposits are made from the initiative of depositors. The second, when banks advance loans, discount bills, provide overdraft facilities; make investment through bonds and securities. This is called derived deposits of derivative deposits. They add to the supply of money, bank's actively create such deposits.

According to the Commercial Bank Act 2031, deposits are the amount deposited in a current, savings or fixed accounts of a bank or financial institution. (Bhandari, 2003, P-73).

People in general, the businessman the industrialist and other individual's deposits money in a bank. Bank advances amount as loan and invest in different sectors to earn profit. Usually, bank accepts three types of deposits which are as follows:

- a. Demand Deposit
- b. Saving Deposit
- c. Fixed Deposit

a. Demand Deposit

The deposit in which an amount is immediately paid at the time of any account holder's demand is called demand deposits. (Bhandari, 2003, P-73). In other words, we can say this type of demand deposits as current account. "Current account" means an account of amount deposited in a bank, which may drawn at any time on demand. Its transaction is continual and such deposit can't be invested in the productive sectors, so such type of amount remains as stock in the bank. Though the bank can't gain profit by investing it in new sector after taking from the customers, this facility is given to the customer. Therefore, the bank doesn't give interest on this account from such deposits, the merchants and traders are benefited more than the individual. The bank should pay as many time as the cheque is send until there is deposit in his account. The bank can't impose any condition and restrictions in demand deposit. An institution or an individual, who needs money daily, proceeds their acts and transaction through such deposits. The current account is very important for the customers of bank.

In any institution which carries out transaction, there is possibility of corruption misuses and fraud. There should be a provision of separate employees for the recovery of the cash and for the payment of the cash. The current account is necessary to collect and buy the bills to use the facility of overdraft, letter of credit, remittance etc. Current deposit on the one hand saves time and labor and an on other hand the bank keeps, the accurate account of the account holders. So, it is great facility for the customers. Therefore, it has a great importance.

Features of Current Deposits

1. Under this deposit the customer can get the payment until there is balance (amount) in his account as many times as cheques are sent to the bank within the banking time in a day.
2. A bank should keep enough balance because the bank should pay the large amount at the time of account demand.
3. No interest is given on current deposit.
4. There can be a special contract between the bank and the customer's, under which a customer may get such facility in excess of balance in his account and the bank can give him payment.
5. If the customer's has less amount in his account than required by banking rule, the bank can take some certain amount from the customer's account for handling charge.

b. Saving Deposit

The bank can collect capital through the saving deposit as well. This deposit is important and its necessity and scope is not negligible. "Saving Account means an account of amounts deposited in a bank for saving purposes," Commercial Bank Act 2031(1974). This account is suitable and appropriate for the people of middle class, farmers and the labors who have low income officials and small business men. This saving deposits bears the features of both the current and fixed deposits. Generally, most accounts are opened for saving deposits in a bank.

Therefore, the deposit is popular in people in general. According to internal rule of the some banks demand a small amount (money) and some banks demand a great deal of money to opening saving account. But there is no harmony in the rules to withdraw the money of the saving account. Different banks have made different rules. Some banks have made two lakhs, some have three lakhs, and some have five lakhs and some have not fixed the limitations. So, there is divergence as to how much amount of money can be withdrawn. Bank give some interest on it.

Features of Saving Deposit

1. Usually, the interest is given every six months in this deposits.
2. If the banks goes into liquidation more priority is given to the saving deposit then current and fixed period deposit in the payment of liability.
3. If the customer wants to withdraw more money from the bank which is not allowed by it but if he gives pre-information the bank in this situation, he can withdraw more money.
4. In the absence of pro-information, the bank may refuse to give the payment. If it does not refuse, it may take some charge as a fine to give the deposit.
5. The saving account holder does not have the same facility of withdrawn money as the current account holders.
6. Generally he can submit only one cheque in a day or two or three in a week.
7. The bank fixes the minimum and maximum amount with draw able through a cheque in this deposit. (Baidya; 2002:62).

c. Fixed Period Deposit

Under the Commercial Banks Act 2031 (1974), “Fixed Account means an account amount deposited in a bank for a certain period of time.” The customer opening such account deposit their money in these account, for a fixed period. In another word, it is called time deposit because these amount is deposited for a certain period.

Usually, only the person or a institution who want to gain more interest open such type of account. The period of time can be three months, six months, nine months, one year, two year, three year, five year etc. High interest is payable in these deposit incomparison with other type of deposit. Both parties (the bank & the customer) can take benefit from this deposit. The bank invest this money on the productive sector and gain profit and also the customer can make this financial transactions stronger by getting more interest from this deposit. The account collected in the fixed deposit must be returned to the customer after date is expired. The amount can be withdrawn before the fixed time.

Features of fixed period deposit

1. The amount can be withdrawn by cheque in this deposit like other current and saving deposit.
2. Usually, the interest is awarded in every three in this deposit.
3. The rate of interest in the fixed period is higher than other that of other deposit.
4. The customer can't be deposited more money again in the deposit before the fixed time.

2.1.6 Deposit Mobilization

Collection scatted amount of capital and investing the deposit fund in productive sector to increase the income of the depositors is meant deposit mobilization. In other words, investing the collection fund in the productive sector and increasing the income of the depositors, it also support to increase the saving through the investment of increase extra amount. The main objective of deposit mobilization is to convert idle saving into live saving. In developing countries shortage of a capital is the main problem for the development activities. Development is needed in the entire sector. It is not to handle and develop all the sector by the government along at a time. People also cannot under take large business because the per capita income of the people is very low. While their propensity to consume is very high. To the low income their saving is very low and capital formation is also low. So their saving is also not sufficient for carrying on developmental work. To achieve the higher rate of

growth and per capita income, economic development should be accelerate “Economic development may be defined in a broad sense as a process of rising income per head through the accumulation capital”. But how capital can be accumulation in the developing countries ? In context of Nepal, commercial banks are the main financial institutions which play very important role in the resource mobilization for the economic development in the country.

Economic development is essential and sufficient to generate high rate of an investment. The generation of high rate of saving and their by investment is possible only through commercial banks. So commercial banks play a great role in economic development by generating the saving toward the desired sector from one place to another, communication with its branches and agencies in different parts of the country and world and advising to the commercial people. Increasing the income of the low income group of people and making them able to save more deposit mobilization, which help them to invest the collected deposit in desired sector. Capital formation is possible through collecting scattered unproductive and small saving from the people. These collected funds can be utilized in producing sector to increase employment and national productivity. Deposit mobilization is the most dependable and important source of capital formation.

Banking transaction refers to the acceptance of deposit from the people for granting loan and advances and returning the accepted exposit at demand or refer the expiry of a certain period according to banking rules and regulations. These definition clearly state that deposit mobilization is the starting point of banking transactions. Banking activities can be increased as how much as we can mobilize the accumulated deposit effectively. Credit creation is one of the major function of commercial banks. Deposits such as current, saving and fixed deposit are the main part of working capital. It is due to this reason that bank keep their deposit mobilization campaign always in full upswing taking resort to every possible means playing at their deposit.

Commercial banks are set up with a view to mobilized national resources. The condition of national economic development is to be able to collect more and more deposit. In this context, the yearly increasing rate of commercial banks deposit clearly show the satisfactory progress of deposit mobilization.

2.1.6.1 Need for Deposit Mobilization

The following are some reason for why deposit mobilization is needed in developing countries like Nepal." NRB bankers Prakashan, 1984 " shows the following points on the need for deposit mobilization.

- Capital is needed for the development of an sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
- It is much more important to analyze the collected deposit in the priority sector of a country. In the developing countries context, we have to promote our business and other sectors by investing the accumulated capital.
- The need of deposit mobilization is failed to control an unnecessary expenditure. If there is not saving, the extra money that the people have can flow forwards by unnecessary and luxury goods. So, the government should help to collect more deposit, steeping legal procedure to control unnecessary expenditure.
- Commercial banks are playing a vital role for national development. Deposit mobilization is necessary to increase their activities. Commercial bank are granting loan not only in productive sector, by also in other sector like food, grain, gold, and silver etc. Through these loans our traditional in nature and are not helpful to increase productively, but it helps, to some extent, to mobilize bank deposit.

Deposit mobilization play a vital role for the economic development of an underdeveloped and developing countries developed one. It is because a developed country does not feel the need of deposit mobilization for capital formation due to the capital market in every sector. But, is an underdeveloped country and developing country, deposit mobilization play an immense role in such countries. Low national income, low per capita income, lack of technical knowledge, vicious cycle of poverty , lack of irrigation and fertilizer, pressure of population increase, geographical condition etc. are the main problem of developing like Nepal. Again, instead of development of a particular sector, the development of every sector should side by side. So, the development process of this sector on one side and the accumulated the scattered and unproductive sector deposit on the other is the felt need of an underdeveloped country. We can take this in our country present's context.

It has direct as well as indirect advantage, which indicate the need of deposit mobilization which is as follows:

a. Capital Formation

Capital plays a vital role for the development of industries. But in an underdeveloped country, there is always lack of capital to support such industries. Capital formation and industrialization is possible through deposit mobilization.

b. Circulation of idle money

Deposit mobilization help to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit mobilization helps the depositor's habit of saving on one side, and it also helps to circulate the idle saving in productive sector of the other. This helps to create incentives to the depositors. Again, investment in productive sector helps directly in country's economic development, and increase in investor's income.

c. To promote cottage industries

Deposit mobilization is needed to facilitated cottage industries located in rural and urban area. If the bank utilize the collected deposit in the rural or urban sector for the development of cottage industries. It is helpful not only to promote cottage industries in the area, but also support as a whole increasing employment and income of the local people.

d. Co-ordination between different sectors:

Deposit mobilization helps to collect capital from surplus and capital boarding sector. The fund can be invested for the needy sectors. Thus, it helps to fulfill the gap between two different sectors. Earning interest in their deposit and the needy sector by receiving loans and advances benefits the surplus and boarding sectors. Thus, deposit mobilization helps to keep good co-ordination between different sectors.

e. To support fiscal and monetary policy

Fiscal policy of the government and monetary policy of the central bank for economic development of a country can be supported by deposit mobilization. Deposit mobilization helps to analyze idle money in productive sector. Again, it helps in money supply, which saves the country form deflation and helps central banks objective of monetary policy.

f. To check up miss utilization of money

Mostly our customs and habits are supported by social and religious believes. There is also tendency of copying other and to show their superiority

buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up miss utilization of money.

g. Development of banking habit

One important side of economic development of a country is to increase banking habit in the people. Deposit mobilization helps in those aspects. If there is deposit mobilization, people believe on the bank and banking habit develops on the people.

h. To support government development projects

Every underdeveloped country's government needs a huge amount of money for development projects. The deposit collected by the commercial banks can fulfill to some extent the need of money to the government.

i. Others

Deposit mobilization support small savers by earning interest helps to the development of rural economy, protects villagers from being exploitation of indigenous bankers, increase investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc.

Capital is needed for the economic development of a country. External sources are not dependable sources of capital. So, mobilization of internal resources has a great significance. This is the only way or receiving capital continuously for long time.

There are various institution mobilize internal resources. There are commercial banks, insurance companies post office etc. Among them, commercial banks are the effective and dependable sources of mobilizing internal resources. This is due to the fact that commercial banks branches are scattered all over the country. Deposit mobilization not only helps in country's economic development, it is also helpful to the depositors himself. The interest earned in the amount helps to rise the standard of living on one side and on the other, the depositors had right to draw the deposited amount at the time need.

So, commercial banks plays an important role for the economic development not only in the developed country, but also in developing country.

From the deposit mobilization by commercial banks not only it utilizes the resources but to some extent it solves the problem of unemployment in the

country. It helps to utilize the capital in best possibility. The concept of capital includes not merely material capital of wealth but human capital in the form of trained and skilled workers, manners and professional people. (Johnson, 1965:11). Hence commercial banks are the institutions which help to utilize national resources and natural resources in the best possible manner by encouraging and initializing these resources to be utilized.

Thus, commercial banks provide opportunities for gainful employment to citizen who has limited economic capacity. Therefore, on one hand it solves the problem to unemployment of the country and on the other hand it utilizes the fund in the best possible manner for the economic development.

2.1.6.2 Factors Affecting Deposit Mobilization

There are various factors like money supply, inflation, other financial instruments and interest rate and branch expansion which affect deposit collection. These factors should be considered while making the policies regarding deposit mobilization. Among all these factors, only interest rate and branch expansion has taken for the study.

(a) Interest Rate

For the commercial banks, interest rate reflects the amount paid on deposit. The main objectives of the interest rate on deposit is to attract scattered savings. Therefore, the proper interest plays a vital role for collecting deposits.

According to the neo classical monetary theory interest rate is a factor, which brings demand for investment and willingness to save into equilibrium with each other. Investment represents the demand for investible resources and saving represents the supply. While interest is the price of the investible resources, at which two are adequate. Interest is the important factor to mobilize saving. In this sense, interest is regarded as the reward for saving. Regarding the definition of interest rate, it is interesting to some conflicting arrangement of two groups. The classical idea was that interest rate was the reward for not spending, i.e. it is the inducement to refrain from spending. In opponent contrast, the Keynesian determine is that interest is the reward for not boarding i.e. it is the inducement to part with liquidity.

To the lender interest is the reward for postponing consumption until the maturity of the loan. During the life of contract, the borrower must pay to the lenders the periodic interest stated at an annual rate. Doing this the lender involves into risk of default on repaying the full amount either the loan principle or the interest.

(b) Branch Expansion

To build up a financial infrastructure, geographical and functionally diverse to help in the resources mobilization to meet the expanding and emerging needs of developing economy. It has been also felt that timely and adequate credit support should be made available for the sectors, which either to be neglected, so that the system reached out to the small town and the rural and semi-urban area. For this purpose, the extension of geographical spread of banking was given prime importance. It acted as an instrument of deposit mobilization on the one hand and provision of credit to the rural hinterland of the economy on the other. The larger number of people of that country saves more money.

2.2 Review of Related Studies

In this part of review of past studies are conducted by other researcher which are relevant to the topic.

2.2.1 Review of some additional books:

According to Dr S.N Sharma in their BOOK “Economic growth and commercial banking in the development economy” state that insurance of bank deposits, creation of proper atmosphere can increase deposits and development of capital market with the help of bank will prove effective in mobilizing the available floating resources in the country.

According to H.D crosse, in his book “Management policies for commercial banks” state that when fund are plentiful, market rate generally tend to decline, banks seek loan aggressively and therefore lower there rates induces marginal borrower to come into the market. When fund are scare banks raise their rates and come potential borrowers may differ the use of credit or seek it elsewhere.

2.2.2 Review of articles:

Mr. Ruby Joshi, the chief officer of Nepal Rastra bank states that the ability to save and the incentive to save are the two major determinants of savings. The incentive of save as reflected in Nepal Rastra banks real interest rate policy can be stretched for with profit. It is highly probable that further increase in the growth rate of financial savings can materialize if a flexible policy is pursued to keep real interest rate at a positive level. But eventually the deposits expansion is to be bounded constrained by the low savings ability of the people as indicated by stagnant per capita GDP over the past decade. For a sustained growth of deposits or of overall savings rate what is needed more is to increase the income level of the people in order therefore to make saving mobilization strategy effective and successful policy measures should be taken

considering two aspects of the strategy. In short run, policy should focus on the appropriate steps to tap savings within the existing banking framework while the long run measures should be adopted with a view to rise the investment rate and making it more productive.

The researcher suggested the following points to increase deposits and to extend volume of credit.

1. Effective publicity and attractive prizes.
2. Branch expansion policy.
3. To expand the household saving account.
4. Revision in interest rate policy.
5. Credit planning.
6. Win the confidence of local people.
7. To invest in priority sector etc.

Sharma (2000) on the entitle, “Banking the future on competition” found all the commercial banks are establishing and operating in urban areas, his achievement are:

1. Commercial banks are charging higher rate of interest on lending.
2. Commercial banks are establishing and providing their services in urban areas only. They are not interested to establish in rural areas. Only Rastriya Banijiya Bank and Nepal Bank Ltd. Have branches in rural areas.
3. They do not properly analyze the credit system. The researcher further states that private commercial banks have mushroomed only in urban areas where larger volume of banking transaction and activities are possible.

Pradhan, (2000) in his article “Deposit Mobilization, its problem and prospects” has presented that deposit is the life-blood of every financial institution, like commercial banks, financial company, co-operative or non-government organization. He further adds in consideration of most of banks and finance companies, the latest figures does produce a strong feeling that serious review must be made of problems and prospects of deposit sector.

The writer has highlighted following problems of deposit mobilization in Nepalese context:

1. Most of the Nepalese do not go for saving in institutional manner, due to the lack of good knowledge. However, they are very much used of saving be in the form of cash or ornaments. Their reluctance to deal with the institutional system is governed by the lower level of understanding about

financial organization process, withdrawn system, availability of depositing facilities and so on.

2. No more mobilization and improvement of the employment of deposit loan sector.
3. Unavailability of the institutional services in rural areas.

The writer has also recommended for the prosperity of deposit mobilization which are as follows:

1. By cultivating the habit of using rural banking unit.
2. By providing sufficient institutional services in the rural areas.
3. By providing co-operating to the rural areas of development minimum branches services.
4. By adding services hour system to bank.
5. Nepal Rastra Bank could also organize training program to develop skilled manpower.

Bajracharya (2001) through his article “Monetary policy and deposit mobilization in Nepal” has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purpose commercial banks form part of deposit of the private sector so for providing credit to the investor’s in different aspects of the economy.

2.2.3 Review of previous thesis

Karki (2001) in the thesis entitled “An analysis of deposit mobilization of RBB, Lahan Branch” has tried to see the impact of interest rate deposit mobilization also to know the efficient utilization of the accumulated deposit. This study is mainly concerned with the RBB Lahan Branch. The data presentation analysis of deposits and loan advances is limited to the period of ten years from the year mid-July 1990. Most of data are secondary type and applied the correlation coefficient and statistical tool. In the study, the researcher has found that RBB Lahan is less successful to collect maximum deposit and also the deposit cannot efficiently utilize and there is negative correlation exists between interest rates and total credits.

For so, the researcher has recommended that the bank should extend long term credit. The bank should not very much conscious about its security. The person who has skill but not security, does not get loan from the bank. The bank decreased the interest in credit side, staffs should be trained. Finally the researcher has suggested that there should be frequently communication between staffs and key customers, particularly businessman.

Agrawal (2002) in the thesis entitled “A study on deposit and investment position of Yeti Finance Company Ltd.” with the main objectives of:

- To determine the financial position of financial company.
- To determine the trend of deposit position of the company for the period of five year.
- To determine the trend of investment position of the company for the period of five years.

This study covers only five year period i.e. F.Y 1996/1997 to 2000/2001. This study was conducted on the basis of secondary data and the statistical tools such as graph, percentage. Karl Pearson's co-efficient of correlation are used. Some strength financial tools such as ration analysis and trend analysis have also been used for financial analysis.

The writer found that there is highly positively correlation between deposit and total investment. The researcher concluded that financial companies have been found profit oriented, ignoring the social responsibility which is not a fair strategy to sustain in long run. Therefore, it is suggested that the company should involve in social program which help the deprive people who are depended in agriculture. Agriculture is the paramount of Nepalese economy so that any financial company should not forgot to invest in this sector. In order to do so they must open their branches in remote area with an objectives of providing cheaper financing services.

The minimum amount to open account and interest rate on credit should be reduced which ultimately intensify the profit and goodwill of the company in future. But in his research there is not clearly mentioned the effect of interest in deposit collection as well as in investment.

Tendulkar (2004) in the thesis entitled "Role in NRB in deposit mobilization of commercial bank" has tried to examine the role of NRB in deposit collection and mobilization by the commercial banks and to analyze the financial position of the Everest Bank and Nepal Bangladesh Bank Ltd in terms of deposit collection and mobilization procedures. Projection is for five year from 1998 to 2002. The data used in this study is both primary and secondary. In this thesis the researcher has used different financial tools like liquidity ratio, coefficient of correlation, trend analysis and hypothesis are used as statistical tools.

The researcher has found that it can be said that all new directives of NRB commercial banks are effective and it is good for both nation and the future of the banks but the loan classification and provisioning seems to be little bit uncomfortable to the commercial banks for deposit and loan and advances of Nepal Bangladesh Bank Ltd are higher than Everest Bank Ltd (EBL) but in case of investment Everest Bank Ltd(EBL) is able to mobilize more funds than Nepal Bangladesh Bank Ltd in this sector.

In this study the researcher has recommended to NBBL that diversification of loan and investment is highly suggested to the bank. As NBBL has given priority in investment in treasury bill which is risk free but it yields very low return to the bank and recommended the EBL to collect the deposit by initiating various new programs to attract the customer, for this it can pay a higher interest rate than the banks recently providing.

Maharjan (2004) in this thesis entitled “Deposit Mobilization of RBB< Kirtipur Branch” with the following objectives:

- To examine relationship between the amount of total deposits and amount of total credit granted by the RBB Kirtipur Branch.
- To see the impact of interest rate of loan and the credit extended by RBB with special case study of Kirtipur Branch.
- To study the increasing or decreasing trend of deposit mobilization of RBB, Kirtipur Branch.

This study cover 10 years study period i.e. from 2050 B.S. to 2060 B.S. This study has conducted both on primary as well as secondary data. In this study financial tools such as percentage change ratio, growth ratio is used and in statistical tools, coefficient of correlation and trend analysis are used.

The researcher found that the commercial banks in Nepal is doing well but they are not giving satisfactory result due to the some internal and external factors. He also found that RBB, Kirtipur Branch is successful collect deposit but it is facing problem in utilization of its fund. Bank has good deposit collection but it has maintained low investment policy on loan and advances. So, there is very much wider gap between total deposit and total credit. The researcher further found that the bank has not tried to find out the central office

has also not given authority to the branch manager to invest in government securities.

The researcher recommended that the bank should try to do different activities to collect more deposit. Deposit interest rate should be more attractive to flight with other banks. He also suggested that bank should decrease in minimum bank balance for promoting and mobilizing small investor's fund and proper evaluation of the performance of the staffs should be done in timely and continuously in order to increase the efficiency of the banks.

Khatri (2005) in his thesis entitled "Impact of Interest rate of Deposit Mobilization of commercial banks of Nepal" with the main objectives of:

- To present the impact of the interest rate of deposit mobilization of commercial banks.
- To see the impact of interest rate of deposit on the deposit collected by the commercial banks.
- To see the deposit credit margin ratio throughout the changed incurred in the interest rate by which one can see that how far the deposit have efficiently utilized.

This study concern only a period of five year from the year ended 1997 to 2001. Only secondary data has analyzed. Simple analytical statistical tools such as graph, percentage, Karl Pearson's coefficient of correlation and the method of least square are adopted in this study. Similarly, some strong accounting tools such as ratio analysis have also used for financial analysis.

The writer found that the overall performance of commercial banks is satisfactory and Nepal Rastra Bank has to play more active role to enhance the operation. Liquidity position of the commercial banks are satisfactory. The interest rate has played important role in deposit mobilization of the bank. So the structure of interest rate should be changed accordingly to the need of the nation. The commercial banks have to prove that they can really contribute to the national economy which are efficient and valuable agencies for mobilization of deposit and its analization into productive sector's are professionally managed and competent to ensure adequate rate of return and are strategically well planned to be competitive with other agencies and are trust worthy.

Karki (2007) in his thesis entitled “Deposit Mobilization of Commercial Banks in Nepal” with the main objective of:

- To examine how far the rate of interest influences the credit and deposit of RBB Janakpur Branch
- To examine how far the bank loan is successful to accumulate the deposits with special references to RBB. Janakupur Branch.
- To examine how far the deposit of RBB Janakpur Branch is efficiently utilized.

This study is based on secondary data. In this thesis Karl’s Pearson formula of coefficient of correlation has been used to compare various variable. In this thesis the writer found that the deposit collection of RBB Janakpur Branch is not satisfactory, but it is improving. He also found that the activities of RBB Janakpur Branch for mobilizing deposits seem to be idle. The bank has not tried to find out the new sectors investment. The central office has not given authority to the branch manager to advance or to invest in government securities. The writer further found that the bank provides short term credit and the lending process is also lengthy.

The researcher suggested that the bank should reach different sectors for loan and advances and also suggested that RBB Janakpur Branch should extend long term as well as medium term credit in addition to short term credit.

2.3 Research Gap

Previous researchers covers all the commercial banks and some were either on case study between two commercial banks or some were on the particular bank branch. But this study is focused on some particulars sample banks. The data used in the previous study is either of five year or ten years. But this study covers the recent and on updated data of all the sample banks. Moreover, this study has not been done by previous researcher as separately. Thus, to fill the gap, this study had been conducted.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter presents research methodology adopted in achieving the objectives started in the earlier chapter. This chapter contains nature of research, nature and sources of data, information, population and sample, data gathering procedure and finally statistical and mathematical tools used.

3.1 Research Design

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy, procedure. Research design is the plan, structure and strategy of investigation conceived. So as to obtain answer to research questions and to control variances to achieve of the study, description and analytical research design have been used. This study is based on primary as well as secondary data. Some simple statistical methods such as trend line and correlation analysis have been applied to examine the facts of data.

3.2 Population and Sample

There are all together 32 commercial banks working all over Nepal. In this study deposit mobilization of Himalayan Bank Limited (HBL), Everest Bank Limited (EBL), Nepal Investment Bank Limited (NIBL) and Bank of Kathmandu Limited (BOKL) are studied.

So 32 commercial banks are taken as the population and 4 banks out of them are chosen as the sample to find out effectiveness of deposit mobilization.

3.3 Sources of Data

The required data information for analysis is directly collected from the annual report of EBL, HBL, NIBL and BOK banks head office. Supplementary data and information are collected from number of institution like Shaker Dev Campus Library, Post Graduate Campus Library (Biratnagar), T.U Central Library and Documentation Section of Library, NRB Central Office etc.

All the data are compiled, processed and tabulated in the time series as per the need and objectives. Formal and informal talks to concerned the person of department of the bank were also helpful to obtain the additional economic journals, bulletins, magazines etc.

3.4 Method of Data Analysis

To achieve the objectives of the study, various financial as well as statistical tools have been used in the study. The analysis of data will be done according to pattern of data available because of limited time and researches, some simple analytical statistical tools such as percentage change, coefficient of correlation and method of least square are adopted in this study. Similarly, some accounting tools such as ratio analysis has also been used for financial analysis.

3.4.1 Financial Tools

Percentage Change

This ratio is calculated to measure acceleration or retardation of any variable to the company in each year. This helps the banks to identify the degree how the variable is moving in each year. It also helps the banks to take suitable direction. It is calculated in the following ways:

$$\text{Annual Percentage Change (APC)} = \frac{\text{Amount of this year} - \text{Amount of last year}}{\text{Amount of last year}}$$

Growth Ratio

The growth ratio represents how well the bank is maintaining its financial and economic position. For calculation of growth rate, the following formula is used:

$$A_n = A_0 (1+g)^{n-1}$$

Where,

A_n = Total amount in the year

A_0 = Total amount in initial year

G = Growth rate of amount

n = Total no of year during the study period.

To examine and analysis following growth ratios are calculated in this study:

1. Growth ratio of total deposit.
2. Growth rate of total credit.

3.4.2 Statistical Tools

Some important statistical tools are used to achieve the objectives of this study. In this study, statistical tools such as coefficient of correlation analysis and least square linear trend have been used. The basic analysis is written in point below:

- Coefficient of correlation and coefficient of determination between different variable .

Coefficient of Correlation

This analysis identifies and interprets the relationship between two or more variables. In the case of highly correlated variables, the effect on one variable may have effect on other correlated variables. Under this topic, Karl Pearson's coefficient has been used. To find out the relationship between the following variables.

- Coefficient of correlation between total deposit and production loan.
- Coefficient of correlation between total deposit and construction loan.
- Coefficient of correlation between above variable, the formula has been used.

To find out the coefficient of correlation between above variables, this formula has been used.

$$\text{Karl Pearson's Coefficient of Correlation } (r) = \frac{\sum XY}{\sqrt{\sum X^2 \sum Y^2}}$$

Where,

X = $X - \bar{X}$ = Deviation taken from exact A.M of X series.

Y = $Y - \bar{Y}$ = Deviation from exact A.M of Y series.

\bar{X} = A.M of X series

\bar{Y} = A.M of Y series.

This series analyzes the relationship between these variable and helps the banks to make appropriate policy regarding deposit collection and fund utilization.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

In this chapter, the analysis part is presented in detail. This chapter is mainly concerned with presentation of collected data in suitable tables and diagrams as well as the analysis and presentation of those collected data in a suitable manner using various statistical tools and financial tools. Different types of ratios have been calculated to reach in the conclusion of the study.

4.1 Deposit Position

Deposit is that amount which is deposited by savers in commercial bank or other financial institutions for safe keeping as well as for earning the interest from it. Deposit are the main sources of resources to meet growing demands of financial existence. The existence of commercial banks basically depends upon the mobilization of deposits. The commercial banks may function when they have been adequate deposits. Higher the volume of deposit, higher will be the volume of profit. So, a commercial bank first up all tries to mobilize as much deposit possible. One of the main objectives of commercial banks is to safeguard the amount deposited by the general depositors and its mobilization in an effective manner. The following table shows the situation of commercial banks in relation to deposit collection and its utilization in the recent years.

4.1.1 Deposit Position of HBL

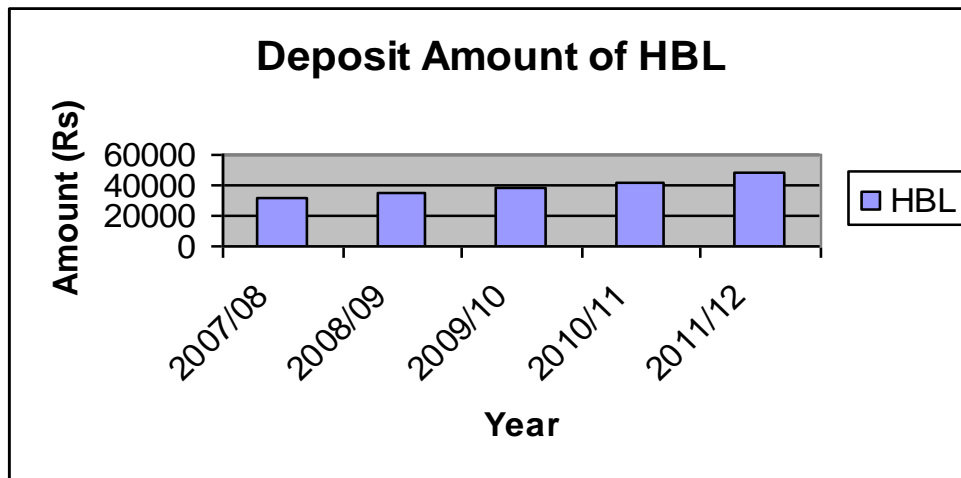
The following table shows the amount of deposit collection of Himalayan Bank Ltd throughout the study period of 2007/2008 to 2011/12. The table also presents the percentage change in deposit amount of HBL during the study period.

Table no.4.1
Deposit Position and Rate of Change in HBL
(In Million Rs.)

Year	HBL	% Change
2007/08	31842.78	-
2008/09	34681.34	8.91%
2009/10	37611.2	8.45%
2010/11	40920	8.80%
2011/12	47730	16.64%

Source: Annual Report of HBL

Diagram no:4.1
Deposit Amount of HBL



The above table and diagram shows the total deposit amount of HBL during the study period of 2007/08 to 2011/12. The total deposit amount of HBL during the study period is an increasing trend. From the table and diagram it can be considered that HBL is fully utilizing its resources effectively for collecting the deposit through out the study period. The amount of total deposit during the initial study period is in 2007/08 is 31842 million rupees, which increased subsequently in other years and becomes 34681.34 million rupees in 2008/09, 37611.2 million rupees in 2009/10, 40920 million rupees in 2010/11 and in the final year of the study period i.e. 2011/12 it becomes 47730 million rupees.

4.1.2 Deposit Position of EBL

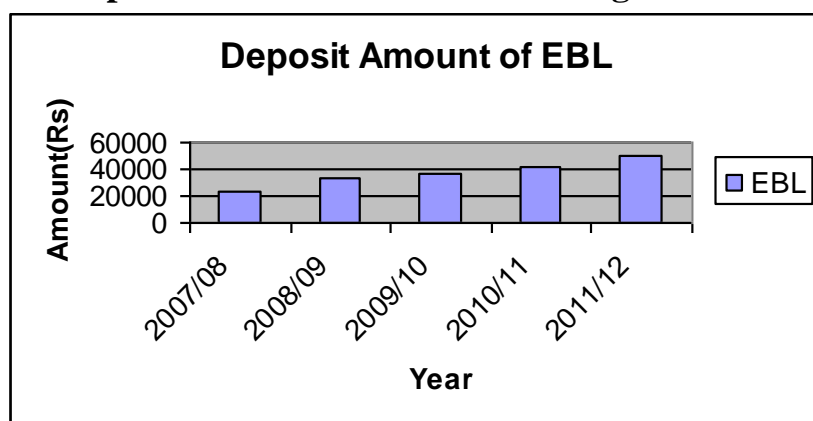
The following table shows the amount of deposit collection of Everest Bank Limited (EBL) through out the study period of 2007/08 to 2011/12. The table also presents the percentage change in deposit amount of EBL during the study period.

Table no:4.2
Deposit Position and Rate of Change in EBL
(In Million Rs.)

Year	EBL	% Change
2007/08	23976.3	-
2008/09	33322.9	38.98%
2009/10	36932.3	10.83%
2010/11	41127.9	11.36%
2011/12	50006.1	21.59%

Source: Annual Report of EBL

Diagram no: 4.2
Deposit Position and Rate of Change in EBL



The above table and diagram shows the total deposit amount of EBL during the study period of 2007/08 to 2011/12. The amount of total deposit by EBL during the study period is in increasing trend. The deposit amount was 23976 million rupees in 2007/08 the beginning year of the study period which increased subsequently in other year and become 33322.9 million rupees in 2008/09, 36932.3 million rupees in 2010/11 and in the final year of the study period i.e. in 2011/12 it becomes 50006.1 million rupees.

4.1.3 Deposit Position of NIBL

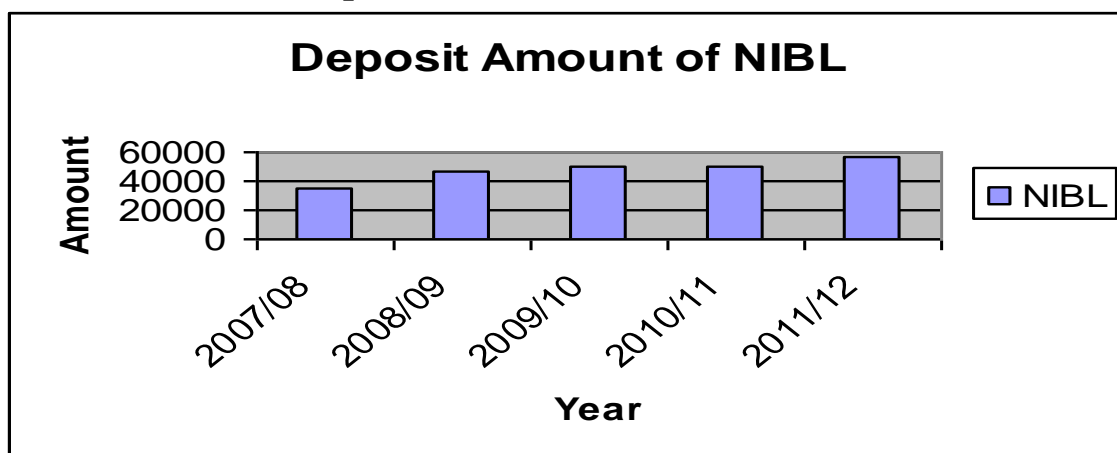
The following table shows the amount of deposit collection of Nepal Investment Bank Ltd through out the study period of 2007/08 to 2011/12. The table also presents the percentage change in deposit amount of NIBL during the study period.

Table no:4.3
Deposit Position and Rate of Change in NIBL
(In Million Rs.)

Year	NIBL	% Change
2007/08	34452	-
2008/09	46,698	35.55%
2009/10	50094	7.27%
2010/11	50138	0.088%
2011/12	57010	13.71%

Source: Annual Report of NIBL.

Diagram no:4.3
Deposit Amount of NIBL



The above table and diagram shows the total deposit amount of NIBL during the study period of 2007/08 to 2011/12. The amount of total deposit of NIBL during the study period is also in increasing trend like other sample banks.

The deposit amount of NIBL during the first year of study period 2007/08 was 34,452 million rupees, which increased subsequently in other year and becomes 46698 million rupees in 2008/09, 50094 million rupees in 2009/10, 50138 million rupees in 2010/11 and in the final year of the study i.e. 2011/12 it becomes 57010 million rupees.

4.1.4 Deposit Position of BOK

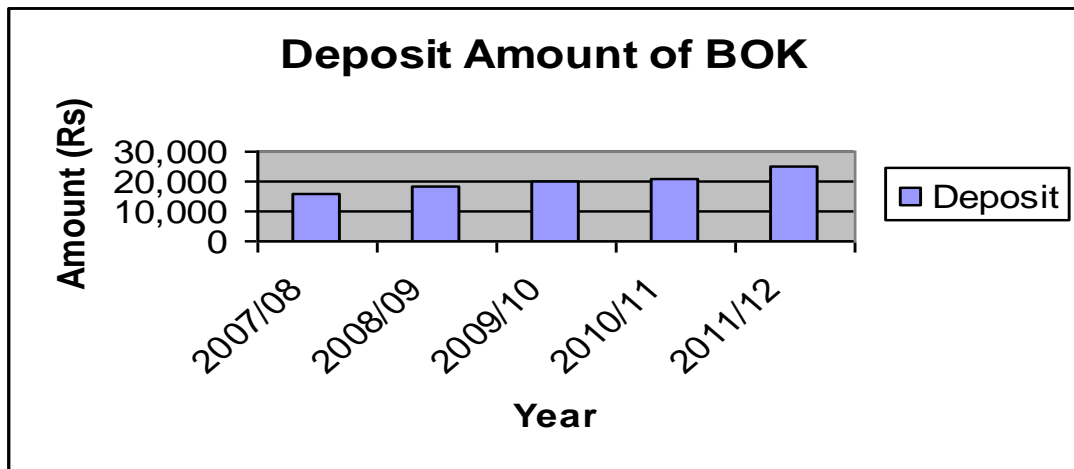
The following table shows the amount of deposit collection of Bank Of Kathmandu Ltd through out study period of 2007/08 to 2011/12. The table also presents the percentage change in deposit amount of BOK during the study period.

Table no:4.4
Deposit Position and Rate of Change in BOK

Year	Deposit	% Change
2007/08	15,834	-
2008/09	18,084	14.21%
2009/10	20,316	12.34%
2010/11	21,018	3.45%
2011/12	24,991	18.9%

Source: Annual Report of BOK

Diagram no:4.4
Deposit Amount of BOK



The above table and diagram shows the total deposit amount of BOK during the study period from 2007/08 to 2011/12 deposit amount of BOK during the study period is in increasing trend as like other sample banks.

The amount of deposit of BOK in 2007/08 was 15834 million rupees, which subsequently in other year and become 18084 million rupees in 2008/09, 20316 million rupees in 2009/10, 21018 million rupees in 2010/11 and in the final year of the study period i.e. becomes 24991 million rupees.

4.2 Credit Position

The total credit balance includes the amount of loans and advances and investment. Bank provides the loan by accepting the security of debtors. It depends upon the interest rate structure of loans. The low interest rate attracts the people to take loan and advances from the bank. Commercial banks supply loan to their clients for different purpose of sectors like agriculture, industrial trade and miscellaneous. The following table shows the total investment by the sample banks during the study period.

4.2.1 Total Investment of Sample Banks (HBL, EBL, NIBL & BOKL).

Table no:4.5
Amount of Total Investment by the Sample Banks
(Amount in Million Rs)

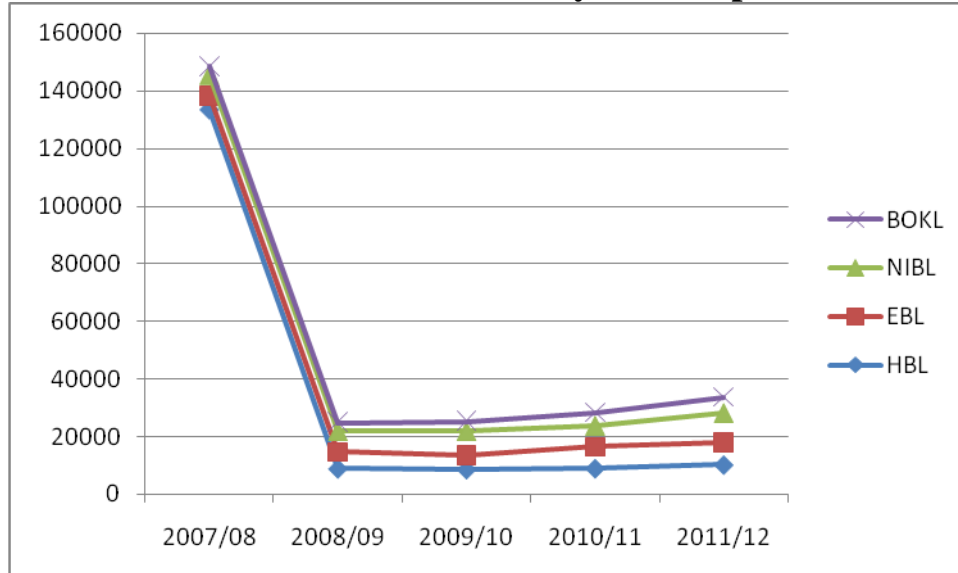
Banks	HBL	EBL	NIBL	BOKL
Years				
2007/08	133340.17	5059.6	6874	3204
2008/09	8710.69	5948.5	7399	2783.06
2009/10	8444.9	5008.3	8635	3269

2010/11	8769.9	7743.9	7423	4286.6
2011/12	10031.58	7863.6	10438	5246.7

Source: Annual Report of the Respective Banks

Diagram no:4.5

Amount of Total Investment by the Sample Banks



The above table and diagram shows the total investment made by the sample banks during the study period of 2007/08 to 2011/12. From the above table and diagram it is clear that the investment made by HBL is greater in comparison with the investment made by other sample banks. The total investment made by BOKL is lesser in comparison with the investment made by other sample banks.

HBL has invested 13340 million rupees in 2007/08 and the amount of investment decreased to 8710 million rupees in the subsequently year that is 2008/09. Similarly the amount decrease to Rs 8,444 million rupees in the year 2009/10. But the amount of total investment by HBL in FY 2010/11 and 2011/12 has been increased substantially to 8769 million rupees and 10031 million rupees.

EBL has invested 5059 million rupees in 2007/08 and the amount increased to 5948 million rupees in the year 2008/2009. But in the year 2009/10 the amount decreased to 5008 million rupees. Then the amount of total investment by EBL in FY 2010/11 and 2011/12 has been increased substantially to 7743 million rupees and 10438 million rupees.

NIBL has invested 6874 million rupees in the year 2007/08. The amount of total investment increased in the year 2008/09 and 2009/10 to 7399 million rupees and 8635 million rupees. But the amount of total investment has decreased to 7423 million rupees in the year 2010/11. Then again the amount of

investment has been increased in the final year of the study that is in 2011/12 to 10,438 million rupees.

BOK has invested 3,204 million rupees in 2007/08 and the amount decreased to 2783 million rupees in the year 2008/09. But the amount of total investment has been increased to 3269 million rupees in the year 2009/10. Then the amount of total investment made by BOK in FY 2010/11 and 2011/12 has been increased substantially to 4286 million rupees and 5246 million rupees.

4.2.2 Analysis of Total Loans and Advances

Loans and advances is the major components in total asses, which indicates the ability of banks to analyze its current assets in the form of loans and advance to earn high return. If sufficient loans and advances cannot be granted, it should pay interest on those utilized current assets funds and may lose earnings. So commercial banks provide loan and advances in appropriate level to find out portion of current assets, which is granted as loans and advances.

4.2.2.1 Loans and Advances of HBL, EBL, NIBL and BOK

The main use of fund of the bank is to make loan and advances, which produces main sources of the income in the form of interest.

The amount of loan and advances of HBL, EBL, NIBL and BOK is presented in the following table.

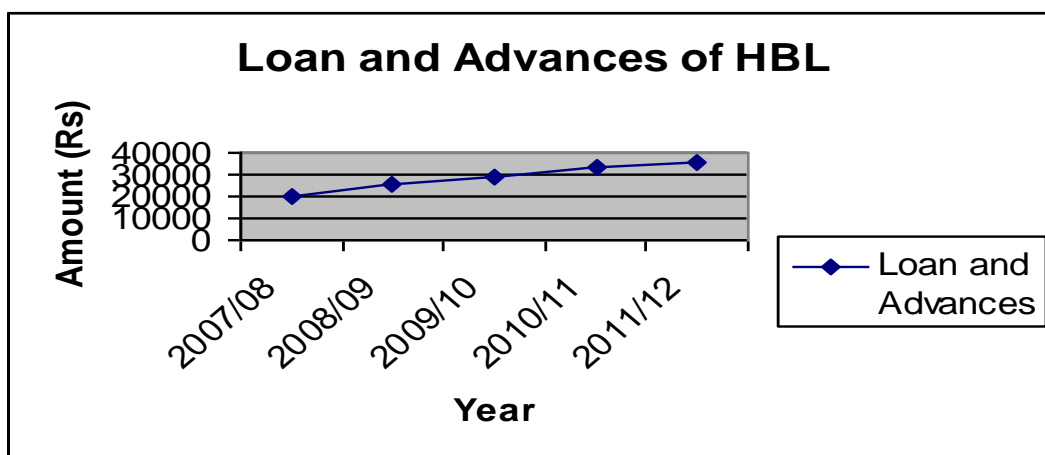
**Table no:4.6
Loan and Advances of HBL**

(Amount in Million Rs)

Year	Loan and Advances
2007/08	20179.6
2008/09	25519.52
2009/10	29123.75
2010/11	32968
2011/12	35968

Source: Annual Report of HBL

Diagram no:4.6
Loan and Advances of HBL



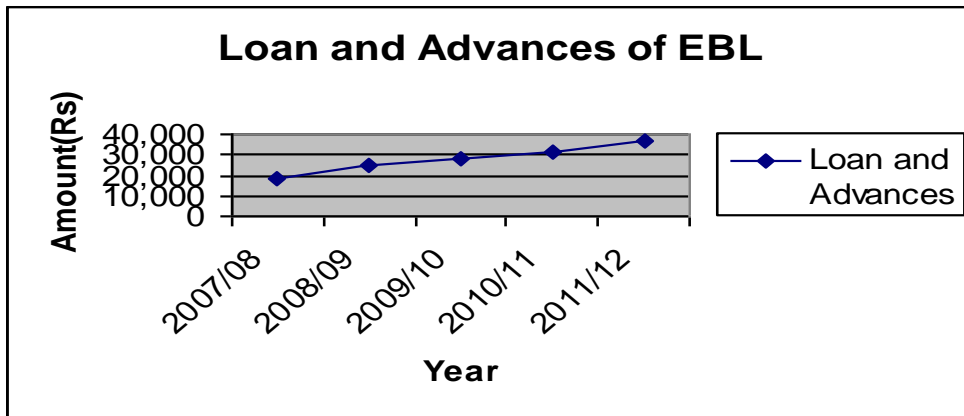
From the above table and diagram it can be concluded that the amount of loan and advances of HBL is in increasing trend through out the study period. The amount of loans and advances of HBL in FY 2007/08 was 20179.6 million rupees, which increased to 25519.52 million rupees in FY 2008/09 and then the amount increased to 29123.75 million rupees in FY2009./10. Similarly the amount of loans and advances increased to 32968 million rupees in FY 2010/11. Then ultimately the amount of loans and advances increased and reaches to 35968 million rupees in the final year of the study period i.e. 2011/12.

Table no:4.7
Loan and Advances of EBL

(Amount in Million Rs)	
Year	Loan and Advances
2007/08	18,836
2008/09	24,469.6
2009/10	28,156.4
2010/11	31,661.8
2011/12	36,616.8

Source: Annual Report of EBL

Diagram 4.7
Loan and Advances of EBL



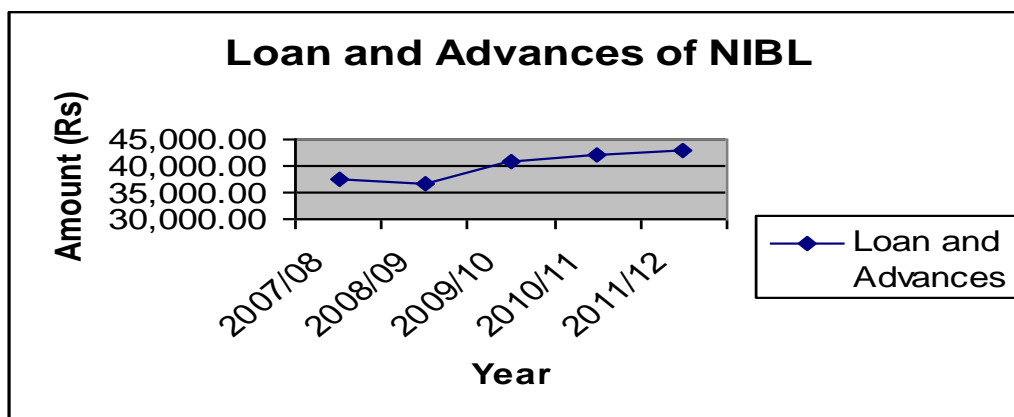
From the above diagram and table it is clear that it can be concluded that the loans and advances of EBL is smoothly increasing through out the study period. The amount of loans and advances in FY 2007/08 was 18,836 million rupees, which increased to 24469 million rupees in FY 2008/09 and than the amount increased to 28156.4 million rupees in FY 2009/10. Similarly the amount of loan and advances increased to 31,661.8 million rupees in FY 2010/11. Then ultimately the amount of loan and advances increases and reaches to 36,616.8 million rupees in the final year of the study period i.e. 2011/12.

Table no:4.8
Loan and Advances of NIBL

Year	Loan and Advances
2007/08	37,529.3
2008/09	36,827
2009/10	40,948
2010/11	41,887
2011/12	42,906.7

Source: Annual Report of NIBL

Diagram no:4.8
Loan and Advances of NIBL



From the above table and diagram it can be concluded that the amount of loan and advances of NIBL has been increased significantly through out the study period. The amount of loan and advances of NIBL in FY 2007/08 was 27529.3 million rupees in FY 2008/09 and then the amount increased to 40,948 million rupees in FY 2009/10. Similarly the amount of loan and advances increased to 41,887 million rupees in FY 2010/11. Then ultimately the amount of loan an advances increases and reaches to 42,906.7 million rupees in the final year of the study period i.e. 2011/12.

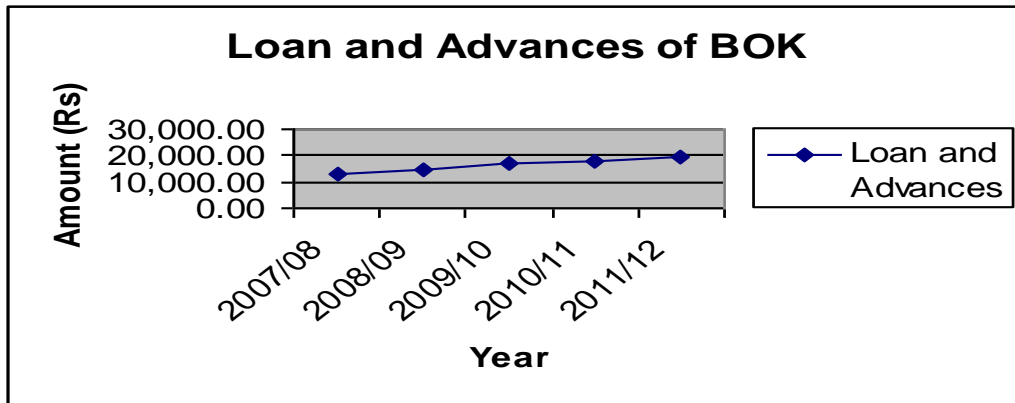
Table no:4.9
Loan and Advances of BOK

(Amount in Million Rs)

Year	Loan and Advances
2007/08	12,747.7
2008/09	14,946
2009/10	17,044
2010/11	17,957
2011/12	19,319

Source: Annual Report of BOK

**Diagram no:4.9
Loan and Advances of BOK**



From the above table and diagram it can be concluded that the amount of loans and advances of BOK has been increased significantly through out the study period. The amount of loan and advances of BOK in FY 2007/08 was 12,747.7 million rupees which increased to 14,946 million rupees in FY 2008/09 and then the amount increased to 17,044 million rupees in FY 2009/10. Similarly the amount of loan and advances increased to 17,957 million rupees in FY 2010/11. Then ultimately the amount of loan and advances increases and reaches to 19,319 million rupees in the final year of the study period i.e. 2011/12.

4.3 Ratio Analysis

The ratio analysis is used to compare a firm's financial performance for a specific period of time. With the help of ratio analysis quantitative judgment can be done regarding financial performance of firms. In this study, following ratios has been calculated and analyzed.

4.3.1 Loan and Advances to Total Deposit Ratio

This ratio can be calculated by dividing loans and advances by total deposits. This ratio can be stated as:

$$\text{Loan and Advances to Total Deposit Ratio} = \frac{\text{Loans and Advances}}{\text{Total Deposit}}$$

This ratio actually measures the essence to which banks are successful to mobilize their total deposit on loan and advances for the purpose of profit generation. The following table no:4.10 exhibits the ratio of loan and advances to total deposits of sample banks for the review period.

**Table no:4.10
Loan and Advances to Total Deposit Ratio**

Year	HBL	EBL	NIBL	BOK
2007/08	63.37	78.56	79.9%	80.5%

2008/09	73.58%	73.43%	78.86%	82.65%
2009/10	77.43%	76.24%	81.8%	83.89%
2010/11	80.57%	76.98%	83.54%	85.44%
2011/12	75.36%	73.22%	75.26%	77.30%

The above table shows the total loans and advances to total deposit ratio of the sample banks. HBL loan and advances to total deposit ratio is 63.37 in 2007/08, 73.58% in 2008/09, 77.43% in 2009/10, 8.57 in 2010/11 and 75.36% in final year of the study period i.e. in 2011/12.

EBL loan and advances to total deposit ratio is 78.56% in 2007/08, 73.43% in 2008/09, 76.24% in 2009/10, 76.98% in 2010/11 and 73.22% in the final year of the study period i.e. 2011/12.

NIBL loan and advances to total deposit ratio is 79.9% in 2007/08 , 78.86% in 2008/09, 81.8% in 2009/10, 83.54% in 2010/11 and 75.26% in the final year of study period i.e. 2011/12.

BOK loan and advances to total deposit ratio is 80.5% in 2007/08, 82.65 % in 2008/09, 83.89% in 2009/10 , 85.44% in 2010/11 and 77.30% in the final year of the study period i.e. in 2011/12. The ratio of BOK and NIBL shows that, they have comparatively invested higher portion of their deposit into lending than that of HBL and EBL.

4.3.2 Total Investment to Total Deposit Ratio

This ratio can be calculated by dividing total investment by total deposit i.e.

$$\text{Total Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

Total investment consists of investment on government securities, investment on debenture and bonds, share in subsidiary companies, shares in other companies etc. The following table represents the total investment to total deposit ratio.

Table no:4.11
Total Investment to Total Deposit Ratio

Year	HBL	EBL	NIBL	BOK
2007/08	41.89%	21.10%	19.95%	20.23%
2008/09	25.12%	17.85%	15.84%	15.39%
2009/10	22.45%	13.56%	17.24%	16.1%
2010/11	21.43%	18.83%	14.8%	20.39%
2011/12	21.02%	15.73%	18.31%	20.99%

The above table shows that the investment to total deposit ratio of sample commercial banks. HBL has invested around 41% of total deposit in 2007/08. However in the following year the same data showed decreasing trend i.e. 25.12%, 22.45%, 21.43% and 21.02% respectively. Similarly, EBL seems to

have invested around 21.10% of total deposit in the year trend by 17.85%, 13.56%, 18.38% and 15.73%. NIBL have invested around 19.95% of total deposit in the year 2007/08 and the same data is in fluctuating trend by 15.84%, 17.24%, 14.8%, 18.31%. Similarly, BOK have invested around 20.23% of total deposit in the year 2007/08 and it is decreased in the year 2008/09 to 15.29%. But in the year 2009/10, 2010/11 and 2011/12 it has been increased to 16.1%, 20.39% and 20.99%. The analysis shows that HBL seems to be ahead in investing its total deposits more than other sample banks.

4.3.3 Liquidity Ratio

A liquidity ratio measures the ability of the firm to meet the current obligation. Liquidity ratio are used to judge a firm's ability to meet short term obligations. A commercial banks must maintain its satisfactory liquidity position me meet the credit need of the community liquidity provided honor strength health and prosperity to an organization.

In this section raw form of data which are collected from various sources, are changed into an understanding presentation using financial as well as statistical tools.

Table no: 4.12
Liquidity Raito

Bank/F.Y	2007/08	2008/09	2009/10	2010/11	2011/12	Mean
HBL	7.9%	12.7%	11.5%	9.3%	13.9%	11%
EBL	13.3%	18.5%	21.2%	14.9%	20.7%	17.7%
NIBL	10.9%	16.9%	15%	16.5%	21%	16%
BOK	9.5%	13.4%	13.4%	10.3%	15.6%	12.44%

Source: Annual Reports of the Respective Banks

From the above table it can be concluded that the sample banks of this research has maintained satisfactory level of liquidity during the review period. HBL has maintained 7.9% of total deposits as its liquidity ratio in F.Y 2007/08 and than 12.7%, 11.5%, 9.3% and 13.9% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. EBL has maintained 13.3% of total deposits as its liquidity ratio in F.Y 2007/08 and than 18.5%, 21.2%, 14.9% and 20.7% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. NIBL has maintained 10.9% of total deposit as its liquidity ratio in F.Y 2007/08 and than 16.9%, 15%, 16.5% and 21% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. BOK has maintained 9.5% of total deposit as its liquidity ratio in F.Y 2007/08 and than 13.4%, 13.4%, 10.3% and 15.6% in 2008/09, 2009/10, 2010/11 and in 2011/12 respectively. The average percentage of liquidity of the sample banks is i.e. HBL is 11%, EBL is 17.7%, NIBL is 16% and BOK is 12.44% respectively. From the above calculation the liquidity position of EBL is petty strong and that of HBL is weak.

4.3.4 Cash and Bank Balance to Total Deposit Ratio

Cash and bank balance is an assets that contribute the banks, banks first line of defense and consist of cash in hand, foreign cash in hand, cheque and other cash items, balance in banks and balance held abroad. The cash and bank balance to total deposit ratio can be calculated by dividing total cash and bank balance by total deposit. i.e.

$$\text{Cash and Bank Balance to Total Deposit Ratio} = \frac{\text{Total Cash \& Bank Balance}}{\text{Total Deposit}}$$

The following table no:4.13 shows the cash & bank balance to total deposit ratio of the sample banks.

Table no:4.13
Cash & Bank Balance to Total Deposit Ratio

Year	HBL	EBL	NIBL	BOK
2007/08	4.56%	11.12%	10.9%	9.1%
2008/09	8.79%	18.49%	16.95%	12.07%
2009/10	10.28%	21.17%	13.61%	8.85%
2010/11	7.25%	14.89%	16.24%	7.99%
2011/12	13.33%	20.72%	20.7%	13.54%

Source: Annual Report of the Respective
Banks

The above table shows the ratio of cash and bank balance to total deposit. In the beginning of the review period i.e. is in 2007/08 HBL cash and bank balance ratio is 4.56%, which is in increasing trend in 2008/09 and 2009/10 i.e. 8.79% & 10.28%, which slowly decreases in 2010/11 i.e. to 7.25% and ultimately increase in the year 2011/12 and reached up to 13.33%. Similarly EBL cash & Bank Balance ratio is 11.12% in 2007/08 which is in increasing trend in the year 2008/09 and 2009/10 that is up to 18.49% and 21.17% , which slowly decreased in 2010/11 i.e. 14.89% and finally increased up to 20.72% in the final year 2011/12. Cash & Bank Balance ratio of NIBL in the beginning of the review period i.e. in 2007/08 is 10.9%, which increased up to 16.95% in 2008/09, but in the year 2009/10 it decreased up to 13.61% and finally in the year 2010/11 & 2011/12 it is in increasing trend and reach up to 16.24% & 20.7%. Similarly cash & bank balance ratio of BOK in the beginning of the review period i.e. in 2007/08 is 9.1% , which increased in the year 2008/09 up to 12.07%, but decreased in the year 2009/10 & 2010/11 i.e. up to 8.85% & 7.99% but in the final year of the review period it increased and reached up to 13.54%

4.3.5 Growth Ratio

Growth ratio represents how well financial institutions are maintaining their economic and financial position. Here these growth ratios are analyzed and interpreted which are directly related to the fund mobilization and investment management of a commercial bank. Under this topic, four types of growth ratio i.e. growth ratios of total deposits, loan & advances, total investment and net profit. Growth ratio can be calculated as following:

$$A_n = A_0 (1+g)^{n-1} \quad \text{or} \quad g = \left(\frac{A_n}{A_0} \right)^{\frac{1}{n-1}} - 1$$

Where,

A_n = Total amount in the nth year

A_0 = Total amount of the initial year

G = Growth rate of the amount during study period.

n = Total no of study period.

The following table shows the growth ratio of the sample banks.

Table no: 4.14
Growth Rate

Types/Banks	HBL	EBL	NIBL	BOK
Deposit	10.65%	20.2%	13.42%	12.08%
Loan & Advances	15.54%	18.08%	11.73%	10.95%
Investment	-6.88%	11.65%	11%	13.12%
Profit	10.8%	24.69%	10.50%	13.9%

The above table shows the growth ratio of sampled banks. HBL has 10.65% and BOK has 12.08% of growth ratio of total deposit while comparing the growth rate of EBL and NIBL has highest growth rate i.e. 20.2% and 13.42% respectively. In the case of loans & advances EBL has highest i.e. 18.08%, whereas HBL has 15.54%, NIBL has 11.73%, and BOK has 10.95%. Similarly the growth ratio of investment of BOK is highest i.e. 13.12%, EBL is 11.65%, NIBL is 11%, whereas HBL growth ratio of investment is decreasing and becomes negative i.e. -6.88%. The growth rate of net profit of EBL is highest i.e. 24.69%, BOK has 13.9%, NIBL has 10.50% and HBL has 10.8%.

4.3.6 Loan Disbursement to Deprived Sector

Deprived sector credit program based on area development approach has been implemented through directions of NRB. Agriculture, cottage and service sector has been organized as the deprived sector. The present situation of deprived sector lending the sample banks has been presented as follow:

4.3.6.1 Deprived sector lending to Total Lending Ratio.

This ratio measures that how well commercial banks are investing their funds to deprived sector. The ratio can be calculated by dividing deprived sector by total lending (Total loans & Advances).

$$\frac{\text{Deprived Sector Lending}}{\text{Total lending}} = \text{Deprived Sector Lending to total lending ratio}$$

Table no:4.15

Deprived Sector Lending to Total Lending (Total L & A) Ratio of H.B.L

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Deprived Sector Lending	626	709	904	717.3	972.2
Total Lending	20179.6	25519.52	29123.75	32968	35968
Ratio	3.10%	2.78%	3.10%	2.2%	2.7%

Source: Banking & Financial Statistic of NRB

The above table shows the deprived sector lending of HBL during the study period. The deprived sector lending ratio is calculated by dividing the deprived sector lending by total lending (Total loans & Advances). The deprived sector lending ratio of HBL is in fluctuating trend. The ratio 3.10% in the year 2007/08 and the ratio decrease to 2.78% in 2008/09, again in the year 2009/10, the ratio increase and becomes 3.10%, in the year 2010/11 it decrease and become 2.2%, in the year 2011/11, it decrease and becomes 2.2% and in the final year 2011/12 of the study period the ratio increased and becomes 2.7%. As the total lending of the bank increased up to 35968 million rupees. So HBL can lend satisfactory level of loan to the deprived sector as per NRB direction.

Table no:4.16
Deprived Sector Lending To Total Lending Ratio of EBL

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Deprived Sector Lending	523.8	716.9	670	771.1	1075.4
Total Lending	18836	24469.6	28156.4	31661.8	36616.8
Ratio	2.78%	2.93%	2.38%	2.44%	2.94%

Source: Banking & Financial Statistic of NRB

The above table shows the deprived sector lending of EBL during the study period. The deprived sector lending ratio is calculated by dividing the deprived sector lending total lending (Total loans & Advances). The deprived sector lending ratio of EBL is 2.78% in the year 2007/08 and 2.93% in 2008/09 that is in increasing trend. But in the year 2009/10 it decreased and becomes 2.38%. Again in the year 2010/11 it becomes 2.38%. Again in the year 2010/11, the ratio increased and becomes 2.44%. In the final year of the study period 2011/12, the ratio increased and reached up to 2.94%. From the above data, it can be concluded that the deprived sector lending ratio of EBL is in increasing trend. So EBL can lend a satisfactory level of loan to the deprived sector as per NRB directives.

Table no:4.17
Deprive Sector Lending to Total Lending Ratio of NBL

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Deprived Sector Lending	673.7	1119.6	1334.7	1338.9	1081.1
Total Lending	27529.3	36827	40948	41887	42906.7
Ratio	2.45%	3.04%	3.26%	3.2%	2.52%

Source: Banking & Financial Statistic of NRB

The above table shows the deprived sector lending of NIBL during the study period. The deprived sector lending ratio is calculated by dividing the deprived sector lending by total lending (Total loans & Advances). The deprived sector lending ratio of NIBL in the year 2007/08 was 2.45% which subsequently increased to 3.04%, 3.26% and 3.2% respectively in the year 2008/09, 2009/10 and 2010/11. But in the final year of the study period 2011/12, the portion of deprived sector lending ratio decreased to 2.52%, which indicates that NIBL is being little bit incapable in lending to the deprived sector as per the NRB directives.

Table no:4.18
Deprived Sector Lending to Total Lending Ratio

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Deprived Sector Lending	531.1	458.6	396.8	472.6	630.9
Total Lending	12747.7	14946	17044	17957	19319
Ratio	4.2%	3.68%	2.3%	2.6%	3.3%

Source: Banking & Financial Statistic of NRB

The above table shows the deprived sector lending of BOK during the study period. The deprived sector lending ratio is calculated by dividing the deprived sector lending by total lending (Total loans & Advances). The deprived sector lending ratio of BOK in the year 2007/08 was 4.2%, 2.3% and 2.6% in the year 2008/09, 2009/10 and 2010/11. The portion of deprived sector lending ratio increased to 3.3%, which indicates that BOK can lend a satisfactory level of loan to the deprived sector as per NRB directives.

4.4 Interest Rate Spread:

Interest rate spread is difference in rate at which at which banks earns through investment and rate offered in attracting deposit and borrowings. Higher the spread rate higher will be the income of the bank. The following table 4.19 shows the Weighted Average Interest Rate Spread of listed banks.

Table no:4.19
Weighted Average Interest Rate Spread

Year	HBL	EBL	NIBL	BOK
2007/08	3.66%	4.34%	4%	4.35%
2008/09	3.66%	4.40%	3.94%	4.72%
2009/10	4.21%	4.78%	4.36%	5.07%
2010/11	3.96%	4.60%	4.06%	5.45%
2011/12	4.25%	5.32%	4.5%	4.67%
Average	3.95%	4.69%	4.17%	4.85%

Source: Annual Report of respective banks.

From the above table it is clear that interest spread rate difference between interests paid to the depositors. Since NRB directives requirement is 5%, so NRB is not successful to maintain weighted average spread rate of 5%. The weighted average spread rate of sample banks i.e. HBL is 3.95%, EBL is 4.69%, NIBL is 4.17% and BOK is 4.85%. Among all the sample banks BOK and EBL weighted average interest rate spread is near to NRB directives

requirements i.e. 5%. Since interest spread rate is less than 5%, therefore it is a problem for commercial bank because the main income of commercial banks is difference between interest paid and received. Since banks have to manage all person through it.

4.5 Statistical Analysis

4.5.1 Coefficient of Correlation (ν) and Coefficient of Determination (ν^2) between Deposit and Investment of the sample banks.

In this analysis Karl Pearson's coefficient of correlation has been used to find out the relationship between variables correlation analysis describe the relationship between variables is positive or negative. It helps to determine whether:

- ∴ A positive or negative relationship exists.
- ∴ The relationship is significant or insignificant and established cause and effect relation if any.

For the purpose of decision making interpretation are used as following terms.

If $r = 0$, There is no relationship between the valuable.

If $r < 0$, There is negative relationship between the valuable.

If $r > 0$, There is positive relationship between the valuable.

If $r = +1$, the relation is perfectly positive.

If $r = -1$, the relation is perfectly negative.

The below table shows the value of coefficient of correlation (ν) and coefficient of determination (r^2) between deposit and investment. In the analysis deposit is independent variable (X) and investment is dependent variable (Y) of all sample banks, i.e. HBL, EBL, NIBL & BOK.

Coefficient of correlation (r) and Coefficient of determination (r^2) between deposit and investment of HBL.

Table no:4.20

Coefficient of Correlation (r)	Coefficient of Determination
-0.3708	0.1375

Source: Appendix

From the above table it is found that the coefficient of correlation (r) between deposit and investment is -0.3708. It showed negative relationship between the two variables. It reveals that the movement of deposit and investment is found moving in opposite direction because when deposit

increased total investment decreases in some extent and vice-versa. The value of coefficient of determination (r^2) is 0.1375 means that there is 13.75% of the total variation or changes in the value of investment and total deposit.

Coefficient of correlation (r) and coefficient of determination (r^2) between Deposit and Investment of EBL.

Table no:4.21.

Coefficient of Correlation (r)	Coefficient of determination (r^2)
0.8135	0.6618

Source: Appendix

From the above table it is found that the coefficient of correlation (r) between deposit and investment is 0.8135. It shows a positive relationship between two variables. It reveals that the movement of deposit and investment is found in similar direction. Because when deposit increases, total investment also increases and vice-versa. The value of coefficient of determination (r^2). Is 0.6618, means that there is 66.18% of total variation or change in the value of investment and total deposit.

Coefficient of Correlation(r) and Coefficient of determination (r^2) between deposit and investment of NIBL.

Table no:4.22

Coefficient of Correlation (r)	Coefficient of determination (r^2)
0.8082	0.6532

Source: Appendix.

From the above table, it is found that coefficient of correlation (r) between deposit and investment is 0.8082. It shows positive relationship two variables. It reveals that the movement of deposit and investment is found in similar direction. If deposit increases than total investment also increases and vice-versa. The value of coefficient of determination (r^2) is 0.6532., means that there 65.32% of the total variation or change in the value of investment and total deposit.

Coefficient of correlation (r) and coefficient of determination (r²) between Deposit and Investment of BOK

Table no:4.23

Coefficient of Correlation (r)	Coefficient of determination (r ²)
0.8748	0.7653

Source: Appendix.

From the above table, it is found that the coefficient of correlation between deposit and investment is 0.8748. It shows positive relationship between two variables. It reveals that the movement of deposit and investment is found in similar direction. If deposit increases, than the total investment also increases and vice-versa. The value of coefficient of determination (r²) is 0.7653 means that there is 76.53% of the total variation or changes in the value of investment and total deposit.

4.5.2 Coefficient of correlation (r) and Coefficient of determination (r²) between Deposit and Loan & Advances of the sample banks.

In this analysis, Karl Pearson’s coefficient of correlation has been used to find out the relationship between variable correlation analysis describe the relationship between the variable is positive or negative. It helps to determine whether:

∴ A positive or negative relationship exist’s.

The relationship is significant or insignificant and established cause and effect relation if any.

For the purpose of decision making interpretation are used as following terms:

If r = 0, There is no relationship between the variables.

If r < 0, There is negative relationship between the variables.

If r > 0, There is positive relationship between the variables.

If r = +1, The relationship is perfectly positive.

If r = -1, The relationship is perfectly negative.

The below table shows the value of coefficient of correlation (r) and coefficient of determination (r²) between deposit and loans and advances. In this analysis, deposit is independent variable(X) and loan and advances is dependent variables(Y) of all the sample banks i.e. HBL, EBL, NIBL and BOK.

Coefficient of Correlation (r) and Coefficient of determination (r²) between Deposit and Loans & Advances of HBL.

Table no:4.24

Coefficient of Correlation(r)	Coefficient of determination (r ²)
0.9578	0.9174

Source: Appendix.

From the above table it is found that the coefficient of correlation (r) between deposit and loans & advances is 0.9578. It shows a positive relationship between two variables. It reveals that the movement of deposit and loans & advances is found in similar direction. If deposit increase than loan & advances also increases and vice-versa. The value of coefficient of determination (r^2) is 0.9174, means that there is 91.74% of total variation or change in the value of loan & advances and total deposit.

Coefficient of Correlation (r) and Coefficient of Determination (r^2) between Deposit and Loans & Advances of EBL.

Table no:4.25.

Coefficient of Correlation (r)	Coefficient of Determination
0.9953	0.9906

Source: Appendix.

From the above table, it is found that the coefficient of correlation (r) between deposit and loan & advances is 0.9953. It shows a positive relationship between two variables. It reveals that the movement of deposit and loan & advances is found in similar direction. If deposit increases than loan and advances also increases and vice versa. The value of coefficient of determination(r^2) is 0.9906 means that there is 99.06% of total variation or change in the value of loan & advances and total deposit.

Coefficient of Correlation(r) and Coefficient of Determination (r^2) between deposit and loan & Advances of NIBL.

Table no:4.26.

Coefficient of Correlation(r)	Coefficient of Determination(r^2)
0.9671	0.9353

Source: Appendix.

From the above table, it is found that the coefficient of correlation(r) between deposit and loan & Advances is 0.9671. It shows a positive relationship between two variables. It reveals that the movement of deposit and loan & advances is found in similar direction. If deposit increases than loan & advances also increases and vice-versa. The value of coefficient of determination(r^2) is 0.9353, means that there is 93.53% of total variation or change in the value of loan & advances and total deposits.

Coefficient of correlation (r) and Coefficient of Determination (r²) between deposit and loan & advances of BOK.

Table no:4.27

Coefficient of Correlation(r)	Coefficient of Determination
0.9672	0.9355

Source: Appendix

From the above table, it is found that the coefficient of correlation (r) between deposit and loan & advances is 0.9672. It shows a positive relationship between two variables. It reveals that the movement of deposit and loan and advances is found in similar direction. If deposit increases than loan and advances also increases and vice-Versa. The value of Coefficient of determination is 0.9355, means that there is 93.55% of total variation or change in the value of loans & advances and total deposit.

4.5.3 Major Findings of the Study.

- During the study period, the total deposit amount of all the sample banks were found to be in an increasing trend. The amount of total deposit is highest in case of NIBL and the amount of total deposit is lowest in case of BOK.
- During the study period, the total investment amount of all the sample banks were found to be in fluctuating trend. The amount of total investment is highest in case of HBL and the amount of total deposit is lowest in case of BOK.
- During the study period, the total amount of loan & advances of entire sample banks is found to be an increasing trend. Among the sample banks, NIBL was found to be the highest amount of lending and BOK was found to be lowest amount of lending.
- The sample banks of this research has maintained satisfactory level of liquidity during the review period. HBL has maintained 7.9% of total deposit as is liquidity in F.Y 2007/08 and than 12.7% , 11.5%, 9.3% and 13.9% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. EBL has maintained 13.3% of total deposit as liquidity in F.Y 2007/08 and than 18.5%, 21.2%, 14.9% and 20.7% in 2008/09, 2009/10, 2010/11 and 2011/12. Respectively. NIBL has maintained 10.9% of total deposit as its liquidity in F.Y 2007/08 and than 16.9%, 15%, 16.5% and 21% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. BOK has maintained 9.5% of total deposit as its liquidity in F.Y 2007/08 and than 13.4%, 13.4%, 10.3% and 15.6% in 2008/09, 2009/10,

2010/11 and 2011 respectively. From the above calculation, the liquidity position of EBL is petty strong and that of HBL is weak.

- In the beginning of the review period cash and bank balance to total deposit ratio i.e. in 2007/08 of HBL cash and bank balance ratio is 4.56%, which is in increasing trend in 2008/09 and 2009/10 i.e. 8.79% and 10.28%, which slowly decreases in 2010/11 that is to 7.25% and ultimately increases in the year 2011/12 and reached upto 13.33%. Similarly EBL cash and bank balance ratio is 11.12% in 2007/08 which is in increasing trend in the year 2008/09 and 2009/10 than is upto 18.49% and 21.17% which slowly decreases in 2010/11 i.e. 14.89% and finally increased upto 20.72% in the final year 2011/12. Cash and Bank balance ratio of NIBL in the beginning of review period i.e. in 2007/08 is 10.9% but in the year 2009/10, it decreases up to 13.61% and finally in the year 2010/11 and 2011/12, it is in increasing trend and reach upto 16.24% and 20.7%. Similarly cash and bank balance ratio of BOK in the beginning of the review period i.e. in 2007/08 is 9.1%, which increased in the year 2008/09 is 9.1%, which increases in the year 2008/09 upto 12.07%, but decreased in the year 2009/10 & 2010/11 that is upto 8.85% & 7.9%, but in the final year of the review period it increased and reached upto 13.54%.
- During the study period, HBL has 10.65% and BOK has 12.08% of growth ratio of total deposit. While comparing the growth ratio of EBL and NIBL has highest growth rate i.e. 20.2% and 13.42% respectively. In the case of loan & advances EBL is highest i.e. 18.08%, whereas HBL has 15.54%, NIBL has 11.73% and BOK has 10.95%. Similarly growth ratio of investment of BOK is highest i.e. 13.12%, EBL is 11.65%, NIBL is 11%, whereas HBL growth ratio of investment is decreasing and becomes negative i.e. -6.88%. The growth rate ratio of net profit of EBL is highest i.e. 24.69%, BOK has 13.9%, NIBL has 10.50% and HBL has 10.8%.
- The deprived sector lending ratio of HBL is in fluctuating trend. The ratio is 3.10% in the year 2007/08 and the ratio decreases to 2.78% in 2008/09, again the year 2009/10, the ratio increases and becomes 3.10% in the year 2010/11, it decrease and becomes 2.2% and in the final year 2011/12 of the study period the ratio increased and becomes 2.7%. As total lending of bank increased upto 35968 million rupees. So HBL can lend satisfactory level of loan to the deprived sector as per NRB directives. The deprived sector lending ratio of EBL is 2.78% in the year 2007/08 and 2.93% in 2008/09 i.e. in increasing trend. But in the year 2009/10, it decreased and becomes 2.38%. Again in the year

2010/11, the ratio increased and reached up to 2.94%. From the above data, it can be concluded that the deprived sector lending ratio of EBL is in increasing trend. So EBL can lend satisfactory level of loan to the deprived sector as per NRB directives. The deprived sector lending of NIBL in the year 2007/08, was 2.45% which subsequently increased to 3.04%, 3.26% and 3.2% respectively in the year 2008/09, 2009/10 and 2010/11. But in the final year of the study period 2011/12, the portion of deprived sector lending ratio decreased to 2.52%, which indicates that NIBL is being little bit incapable in lending to the deprived sector as per the NRB directives. The deprived sector as per the NRB directives. The deprived sector lending ratio of BOK in the year 2007/08 was 4.2%, which subsequently decreased to 3.68%, 2.3% and 2.6% in the year 2008/09, 2009/10 and 2010/11. But in the final year of the study period, 2011/12 the portion of deprived sector lending ratio increased to 3.3%, which indicates that BOK can lend a satisfactory level of loan to the deprived sector as per NRB directives.

- The coefficient of correlation between deposit and investment of all sample banks has positive relationship between the variables i.e. EBL, NIBL & BOK expect HBL because it has negative relationship between the variables. It reveals that the movement of deposit and investment of EBL, NIBL & BOK is found in similar direction; expect HBL, because HBL movement of deposit and investment is found moving in opposite direction.
- The coefficient of correlation between deposit and loans & advances of all sample banks were found to be positive. It shows a positive relationship between two variables. It reveals that the movement of deposit and loan and advances is found in similar direction. If deposit increases, then loan and advances also increases and vice-versa.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

For the development of the country's economy, mobilization of saving, in the productive sector is very important. For this role commercial bank's play a crucial role in the task of capital formation, which is no doubt, a key variable in the economic development of the country. Scattered resources hold no meaning unless and until they are mobilized and utilized efficiently in some productive sectors. Commercial banks contribute to the process of capital formation by converting dispersed saving into meaningful capital investment in order to aid nation. It is the institution which deals with other people's money. It should not be forgotten that a country achieve its goal of economic development without a strong capital base. So, commercial banks play a vital role in performing such base for financial and economic development by way of deposit mobilization. It is true that a strong financial institution is the great need in the developing country like Nepal because all the economic conditions are based on the financial institution and the development of a country depends upon the active participation of the banks in the different activities in the country.

Deposit are the obligation of the commercial banks. So, commercial bank must allocate the funds in different loan and advances and investment. The main objective of the study is to examine the relationship between total deposits and total credits. Besides this, the other objective is to examine the trend of deposit mobilization of HBL, EBL, NIBL and BOK and to determine the utilization of the deposits of these banks.

During the study period, the total deposit amount of all the sample banks were found to be in an increasing trend. The amount of total deposit is highest in case of NIBL and the amount of total deposit is lowest in case of BOK. The total amount of loan and advances of the entire sample bank is found to be in an increasing trend. Among the sample banks, NIBL was found to be the highest amount of lending and BOK was found to be the lowest amount of lending.

The sample banks of this research have maintained satisfactory level of liquidity during the review period. HIBL has maintained 7.9% of total deposits as its liquidity ratio in F.Y 2007/08. and than 12.7%, 11.5%, 9.3% and 13.9% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. EBL has maintained 13.3% of total deposit as its liquidity in F.Y 2007/08 and than 18.5%, 21.2%, 14.9% and 20.7% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. NIBL has maintained 10.9% of total deposit as its liquidity in F.Y 2007/08 and than 16.9%, 15%, 16.5% and 21% in 2008/09, 2009/10, 2010/11 & 2011/12 respectively. BOK has maintained 9.5% of total deposit as its liquidity ratio

F.Y 2007/08, and than 13.4%, 13.4%, 10.3% and 15.6% in 2008/09, 2009/10, 2010/11 and 2011/12 respectively. From the above calculation, the liquidity position of EBL is pretty strong and that of HBL is weak.

Beside this, in credit sector also it is found that the correlation between total deposit and the loans granted to different sector such as production sector loan, service industry loan and construction loan there exists positive relation. It indicates that the relationship between the two is significant. In the production sector loan, the total deposit amount is in increasing trend but the credit amount is stable, it is in fluctuating trend. In case of construction sector loan and service industry loan is found that credit amount is in increasing overall the study period. So we can conclude that the establishment of new banks and financial institutions, people got opportunities to keep their savings, in these condition. From these savings, commercial banks mobilized efficiently in different productive sector for the economic development of the country.

5.2 Conclusion

Economic liberalization policy of the government has encourage the establishment and growth of commercial banks in the country with in short period of item. In a situation when the existing financial institution, especially government commercial banks was unable to supply credit timely and to capital market activities. Private joint ventures commercial banks have contributed a lot. In Nepal up to now, there are 32 Commercial banks.

The commercial banks in Nepal is doing well but they are not giving satisfactory results due to some internal and external factors. The deposits and its investment in productive sector are not stable. That's why they are not earning more profit.

Deposit is the major organ of the commercial bank's. Higher the deposit, higher will be the chance of mobilization of funds. The banks should be very careful while granting loans and advances because loan is the life blood to the commercial banks for the survival. If commercial banks do not apply investment policy, it will be a great trouble to collect the loan in future, to save the bank from the bankruptcy.

In this analysis, it shows that all the sample is successful to collect the scattered resources because the deposit collection of all the sample banks i.e. HBL, NIBL, EBL & BOK is in increasing position. Banks should also improve to mobilize its fund better and better in future.

It is also observed that the increment in the loan and advances supplied by the banks within 5 year period is less than that the increment in the collection of deposits and credit of all the sample banks seems medium. Correlation of coefficient reveals that there is higher relationship between total deposit and total credits. Coefficient of correlation between total deposit and investment of all the sample banks has positive relationship i.e. EBL, NIBL & BOK expect HBL because it has negative relationship between the two variables. So, it can

be concluded that the banks are in better position but they should try to work hard for mobilization of saving and into productive return on investment and are strategically well planned to be competitive with other agencies and are trustworthy.

5.3 Recommendation:

The problem related to deposit mobilization has been already discussed. Now at the end of the study the following recommendation can be advice for the improvement of the deposit mobilization of the sample banks.

- The banks should try to carry out different schemes which may help to increase the deposit collection of the banks to get successful in the field of cut throat competition.
- The sample banks should decrease the minimum bank balance and the amount needed to open an account for promoting and mobilizing small investment fund.
- The banks should make continuous efforts for new competitive and high yield investment opportunities to optimize the investment portfolio.
- Lending rates should be changed according to the bearing capacity of the people. It should not more than average rate of return. So low interest rate on credit is recommended.
- Bank's should make plan to open their forthcoming branches in rural sector that large number of people living in rural sector might be able to take advantages of banking facilities. As most of the joint ventures are operated only in the urban sector

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Appendix
Coefficient of Correlation and Coefficient of determination
between deposit and investment of HBL

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	31842.78	13340.17	-6714.22	3481.2
2008/09	34681.34	8710.69	-3875.66	-1148.31
2009/10	37611.2	8444.9	-945.8	-1414.1
2010/11	40920	8769.9	2363	-1089.1
2011/12	47730	10031.58	9173	172.58
n=5	$\Sigma X = 192785.3$	$\Sigma y = 49297.2$		

x^2	y^2	$x.y$
45,080,750	12,118,753.4	-23,373,542.66
15,020,740.4	13,18,615.8	4,450,459.14
8,94,537.6	1,999,678.8	13,37,455.8
5,583,769	1,186,138.8	-2,573,543.3
84,143,929	29,783.8	1,583,076.34
$\Sigma x^2 = 105,723,726$	$\Sigma y^2 = 16,652,970.6$	$\Sigma x.y = -18,576,094.68$

$$\begin{aligned} \bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{192,785.3}{5} \\ &= 38,557. \end{aligned}$$

$$\begin{aligned} \bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{49,297.2}{5} \\ \therefore \bar{y} &= 9859. \end{aligned}$$

$$\begin{aligned} \text{Correlation of Coefficient (r)} &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{-18,576,098.68}{\sqrt{105,723,726 \times 16,652,970.6}} \\ &= \frac{-18,576,094.68}{50,099,878.02} \\ &= -0.3708 \end{aligned}$$

$$\begin{aligned} \text{Coefficient of Determination (r}^2\text{)} &= (-0.3708)^2 \\ &= 0.1375 \end{aligned}$$

**Coefficient of Correlation and Coefficient of determination between
Deposit and Investment of EBL**

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	23976.3	5059.6	-13096.7	-1265.2
2008/09	33,322.9	5948.5	-3750.1	-376.3
2009/10	36,932.3	5008.3	-140.7	-13,16.5
2010/11	41,127.9	7743.9	4054.9	14,19.1
2011/12	50,006.1	7883.6	12,933.1	15,38.8
n=5	$\Sigma X = 185365.5$	$\Sigma y = 31,623.9$		

x^2	y^2	x.y
171,523,550.9	1600,731,04	16,569,944.8
14,063,250	141,601,7	1,411,162.6
19,796.5	1733,172.25	1,85,231.6
16,442,214	2,013,844.8	1,85,231.6
167,265,075.6	2,367,905.4	5,754,308.6
$\Sigma x^2 = 369,313,887$	$\Sigma y^2 = 7,857,255.2$	$\Sigma x.y = 43,822,101.9$

$$\begin{aligned}\bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{185365.5}{5} \\ &= 37073.\end{aligned}$$

$$\begin{aligned}\bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{31,623.9}{5} \\ \therefore \bar{y} &= 6324.8.\end{aligned}$$

$$\begin{aligned}\text{Correlation of Coefficient } (r) &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{43,822,101.9}{\sqrt{369,313,887 \times 7,857,255}} \\ &= \frac{43,822,101.9}{53,868,297.35} \\ &= 0.8135\end{aligned}$$

$$\begin{aligned}\text{Coefficient of Determination } (r^2) &= (0.8135)^2 \\ &= 0.6618\end{aligned}$$

**Coefficient of Correlation and Coefficient of determination between
Deposit and Investment of NIBL**

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	34,452	6,874	-13.226.4	-1279.8
2008/09	46,698	7,399	-980.4	-754.8
2009/10	50094	8635	2415.6	481.2
2010/11	50,138	7,423	2459.6	-730.8
2011/12	57,010	10,438	9331.6	2284.2
n=5	$\Sigma X = 2,38,392$	$\Sigma y = 40,769$		

x^2	y^2	x.y
174,937,657	1,637,888	16,927,146.7
9,61,184.2	5,69,723	7,40,005.9
5,835,123.4	2,31,553.4	1,162,386.7
6049,632.2	5,34,068.6	-1,797,475.7
87,078,758.6	5,217,569.6	-21,315,240.7
$\Sigma x^2 = 274,862,355.4$	$\Sigma y^2 = 8,190,802.6$	$\Sigma x.y = 38,347,304$

$$\begin{aligned}\bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{2,38,392}{5} \\ &= 47,678.4\end{aligned}$$

$$\begin{aligned}\bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{40,769}{5} \\ \therefore \bar{y} &= 8153.8\end{aligned}$$

$$\begin{aligned}\text{Correlation of Coefficient } (r) &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{38,347,304}{\sqrt{274,862,355.4 \times 8,190,802.6}} \\ &= \frac{38,347,304}{47,448,322.4} \\ &= 0.8082\end{aligned}$$

$$\begin{aligned}\text{Coefficient of Determination } (r^2) &= (0.8082)^2 \\ &= 0.6532\end{aligned}$$

**Coefficient of Correlation and Coefficient of determination between
Deposit and Investment of BOK.**

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	15,834	32,04	-4214.6	-554
2008/09	18,084	2783.6	-1964.6	-974.4
2009/10	20,316	3269	267.4	-489
2010/11	21,018	4286.6	969.4	528.6
2011/12	24,991	5246.7	4942.4	1488.7
n=5	$\Sigma X = 100243$	$\Sigma y = 18,789.5$		

x^2	y^2	x.y
17,762,853.2	3,06,916	2,334,88,4
3859653.2	9,49,455.4	1,914,306.2
71,502.8	2,39,121	-130,758.6
9,39,736.4	2,79,418	5,12,424.8
24,427,317.8	2,216,228	7,357,750.9
$\Sigma x^2 = 47,061,063.4$	$\Sigma y^2 = 3,991,138.4$	$\Sigma x.y = 11,988,611.7$

$$\begin{aligned}\bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{1,00,243}{5} \\ &= 20,048.6\end{aligned}$$

$$\begin{aligned}\bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{18,789.5}{5} \\ \therefore \bar{y} &= 3758\end{aligned}$$

$$\begin{aligned}\text{Correlation of Coefficient } (r) &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{11,988,611.7}{\sqrt{47,061,063.4 \times 3,991,138.4}} \\ &= \frac{11,988.611.7}{13705007.02} \\ &= 0.8748\end{aligned}$$

$$\begin{aligned}\text{Coefficient of Determination } (r^2) &= (0.8748)^2 \\ &= 0.7653\end{aligned}$$

**Coefficient of Correlation and Coefficient of determination between
Deposit and Loan and Advances of HBL.**

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	31842.78	20179.6	-6714.22	-8572.2
2008/09	34681.34	25519.52	-3875.66	-3232.8
2009/10	37611.2	29123.75	-945.8	371.95
2010/11	40920	32968	2363	4216.2
2011/12	47730	35968	9173	7216.2
n=5	$\Sigma X = 197785.32$	$\Sigma y = 143758.87$		

x^2	y^2	x.y
45080750	73,482,612.8	57,555,636.7
15020740.4	10,447,634	12,529,233.6
894537.6	1,38,346.8	-351,790.3
5583769	17,776,342.4	9,962,880.6
84143.929	52,073,542.4	66,194,202.6
$\Sigma x^2 = 150,723,726$	$\Sigma y^2 = 153,918,478.4$	$\Sigma x.y = 145,890,163.2$

$$\begin{aligned}\bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{1,92,785.32}{5} \\ &= 38,557\end{aligned}$$

$$\begin{aligned}\bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{1,43,758.87}{5}\end{aligned}$$

$$\therefore \bar{y} = 28,751.8$$

$$\begin{aligned}\text{Correlation of Coefficient } (r) &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{145890163.2}{\sqrt{150,723 \times 153,918,478.4}} \\ &= \frac{145.890,163.2}{152,312,726.2} \\ &= 0.9578\end{aligned}$$

$$\begin{aligned}\text{Coefficient of Determination } (r^2) &= (0.9578)^2 \\ &= 0.9174\end{aligned}$$

**Coefficient of Correlation and Coefficient of determination between
Deposit and Loan and Advances of EBL.**

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	23,976.3	18,836	-13,096.7	-9,112
2008/09	33,322.9	24,469.6	-3750.1	-3478.4
2009/10	36,932.3	28,156.4	-140.7	208.4
2010/11	41,127.69	31,661.8	4054.9	3713.8
2011/12	50006.1	36,616.8	12,933.1	8668.8
n=5	$\Sigma X = 185,365.5$	$\Sigma y = 139140.6$		

x^2	y^2	x.y
171,523,550.9	83,028,544	119,337,130.4
14063,250.01	12,099,266.6	13,044,347.8
19,796.49	43,430.6	-29,322
16,442,214.01	13,792,310.4	15,059,087.6
167,265,075.6	75,148,093.4	112,114,457.3
$\Sigma x^2 = 369,313,887$	$\Sigma y^2 = 184,111,645$	$\Sigma x.y = 259,525,701$

$$\begin{aligned}\bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{1,85,365.5}{5} \\ &= 37,073\end{aligned}$$

$$\begin{aligned}\bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{1,39140.6}{5}\end{aligned}$$

$$\therefore \bar{y} = 27,948$$

$$\begin{aligned}\text{Correlation of Coefficient } (r) &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{259,525,701}{\sqrt{369,313,887 \times 184,111,645}} \\ &= \frac{259,525,701}{260758484.5} \\ &= 0.9953\end{aligned}$$

$$\begin{aligned}\text{Coefficient of Determination } (r^2) &= (0.9953)^2 \\ &= 0.9906\end{aligned}$$

Coefficient of correlation and coefficient of determination between Deposit and Loan and advances of NIBL

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	34,452	27,529.3	-13,226.4	-10,490.3
2008/09	46,698	36,827	-980.4	-1192.6
2009/10	50,094	40,948	2415.6	2928.4
2010/11	50,138	41,887	2459.6	3867.4
2011/12	57,010	42,906.7	9331.6	4887.1
n=5	$\Sigma X = 238392$	$\Sigma y = 190,098$		

x^2	y^2	$x.y$
174,937,657	110,046,394	138,748,903.9
961184.2	1,422,294.8	1,169,225.04
5835123.36	8,575,526.6	7,073,843.04
6049632.2	14,956,782.8	9,512,257.04
87078758.6	23,883,746.4	45,604,462.4
$\Sigma x^2 = 274,862,355.4$	$\Sigma y^2 = 158,884,744.6$	$\Sigma x.y = 202,108,699.4$

$$\begin{aligned} \bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{238392}{5} \\ &= 47,678.4 \end{aligned}$$

$$\begin{aligned} \bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{1,90,098}{5} \\ \therefore \bar{y} &= 38019.6 \end{aligned}$$

$$\begin{aligned} \text{Correlation of Coefficient (r)} &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{202,108,691.4}{\sqrt{274,862,355.4 \times 158,884,744.6}} \\ &= \frac{202108691.4}{208,977,116.3} \\ &= 0.9671 \end{aligned}$$

$$\begin{aligned} \text{Coefficient of Determination (r}^2\text{)} &= (0.9671)^2 \\ &= 0.9353 \end{aligned}$$

Coefficient of correlation and coefficient of determination between deposit and loan and advances of BOK

Year	Deposit (X)	Investment (Y)	$x = X - \bar{X}$	$y = Y - \bar{Y}$
2007/08	15834	12,787.7	-4214.6	-3655
2008/09	18,084	14,946	-1964.4	-1456.7
2009/10	20,316	17,044	267.4	641.3
2010/11	21,018	17,957	969.4	1554.3
2011/12	24,991	19,319	4942.4	2916.3
n=5	$\Sigma X = 1,00,243$	$\Sigma y = 82,013.7$		

x^2	y^2	x.y
17,762,853.2	13,359,025	154,04,363
3,859,653.2	2,121,975	2,861,832.8
71,502.8	4,11,265.7	1,71,483.6
9,39,736.4	2,415,848.5	1,506,738.4
24,427,317.8	8,504,805.7	14,4213,521.12
$\Sigma x^2 = 47,061,063.4$	$\Sigma y^2 = 26,812,920$	$\Sigma x.y = 34,357,938$

$$\begin{aligned}\bar{X} &= \frac{\Sigma X}{n} \\ &= \frac{1,00,243}{5} \\ &= 20,048.6\end{aligned}$$

$$\begin{aligned}\bar{y} &= \frac{\Sigma y}{n} \\ &= \frac{82,013.7}{5}\end{aligned}$$

$$\therefore \bar{y} = 16402.7$$

$$\begin{aligned}\text{Correlation of Coefficient } (r) &= \frac{\Sigma x.y}{\sqrt{\Sigma x^2 \cdot \Sigma y^2}} \\ &= \frac{34,357,939}{\sqrt{47,061,063.4 \times 26,812,920}} \\ &= \frac{34,357,939}{35,522,451.04} \\ &= 0.9672\end{aligned}$$

$$\begin{aligned}\text{Coefficient of Determination } (r^2) &= (0.9672)^2 \\ &= 0.9355\end{aligned}$$