

**IMPACT OF INTEREST RATE ON DEPOSIT AND LENDING  
OF NEPALESE COMMERCIAL BANKS**

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## INTRODUCTION

### **Background of the Study**

The rate of interest is the price a borrower must pay to secure scarce loanable funds from a lender for an agreed-upon time period. It is the price of credit. The rate of interest is the ratio of two quantities: the money cost of borrowing divided by the amount of money actually borrowed, usually expressed on an annual percentage basis. The cost of borrowing money, measured in rupee per year per rupee borrowed, is the interest rate (Samuelson, 1993: p, 469). Interest rate sends price signals to borrowers, lenders, savers and investors. For example, higher interest rates generally bring for a greater volume of saving and stimulate the lending of funds. Lower rate of interest, on the other hand, tend to dampen the flow of saving and reduce lending activity. Higher interest rates tend to reduce the volume of borrowing and capital investment, and lower interest rates stimulate borrowing and investment spending (Rose, 1997: p13).

In the early mid 1980's the country has adapted liberal economic policy. Number of finance companies and commercial banks began to develop and government made the liberal policy in maintaining the interest rate structure. Liberalization in determining market interest rate was encouraged for commercial banks, established under joint venture in association with foreign banks in private sectors. There are full discretions to NRB in determining interest rate structure of banks & financial institutions taking from the period 1960 to 1975. Still NRB is empowered in the fixation of interest rate which commercial banks & financial institutions have to follow although they can provide higher rates after fulfilling the minimum interest rates set by NRB.

On 16 November 1984 government had provided autonomy in offering the interest rate on saving and time deposit to the extent of 1.5 percent and 1 percent points respectively above the prevailing rates. In 1986, financial institutions got freedom in fixing their interest rates in deposits & loans. In addition, there was also, limitation on the interest rate amounts the different loans on provided for the productive & priority and full deprived sector.

On August 22, 1992, NRB issued some directives to commercial banks and financial institutions to clearly spell out the interest rate on deposits. NRB also instructed the bank & their interest rate spread on deposit and credit at 6% within the mid December 1993. A further instruction to banks & financial institutions was issued in 2002, and now the interest rate spread required to be maintained by commercial banks & financial institutions has also been removed.

The interest rate regime in Nepalese perspective change from 1960 – 1980 to out that of ultimaded eregulation of interest rate and removal of spread from 1986 to 2002. At present there is complete freedom to have competitive interest rate with hope of maintaining, efficiency is financial system an important part of government's financial liberalization policy. However, NRB with change in monetary policy has given directives to the commercial banks and financial institutions to maintain balance in determination of interest rate on deposit and loan. The enactment of the umbrella act, putting all financial institution under the same directives has directed banks and financial institutions to minimize the spread between interest rate on deposit and loan. The sensitivity of the interest rate is considered vital in today's financial market operating in the country. (Shrestha & Bhandari, 2007: p128-130).

### **Profile of Sample Banks under Study**

#### **i) NABIL Bank Limited**

Nabil bank Ltd., the first foreign joint venture bank in Nepal was established in 1984, under the Company Act 1964. It was incorporated with the objective of extending international standard modern banking services to the various sector of the society. Pursuing its objective, Nabil bank provides a full range of commercial banking services through its 19 points of representation across the country and over 170 reputed correspondent banks across the globe. The mission of Nabil bank is to be the “Bank of the 1<sup>st</sup> Choice”. The slogan of NABIL Bank is “Your Bank at Your Service”.

The bank expanded its banking services towards the different and parts of the country by expanding its branches. Besides banking, the bank also provides

Credit cards, International trade and bank guarantee, Tele banking, Society for worldwide interbank financial telecommunications, Safe deposit locker, Western Union Money Transfer, ATM (Automated Teller Machine), E-Banking and Remittance facilities to its clients.

**ii) Everest Bank Limited**

Everest Bank limited was established in 1993 A.D. it started its operation from 18<sup>th</sup> October 1994. This is also a joint venture bank with Punjab National Bank. Under the technical service agreement signed between two banks Punjab National Bank has been providing top management services and banking expertise to Everest bank limited. The banks operates with the objective of extending professionalized banking services to various section of the society in the country and there by contributes to the economic development of the country. The bank has the largest networks among the private sector banks in Nepal. The bank is providing the services through any branch banking services, ATM, E-Banking, safe deposit locker and remittance service.

**iii) Nepal Bank Limited**

Nepal bank limited is the first bank to commence its business in Nepalese economy. After the enactment of “Nepal Bank Law” in 1994 B.S, the bank was established in 30<sup>th</sup> Kartik, 1994 B.S. at the time of establishment, beside commercial functions, this bank performed all the other functions that should be done by central bank of the country except issuing notes (money). However, after the establishment of Nepal Rastra Bank, this bank transformed itself as a pure commercial bank. The Government of Nepal has 41% share and general public have 59% share on this bank.

**iv) Rastra Banijya Bank**

Rastrya Banijya Bank is the government owned bank. It was established in 10<sup>th</sup> Magh, 2022 B.S as a commercial bank. This bank played a great role to uplift the agricultural, industrial and commercial sector of the country since its establishment. It has the largest networks among the commercial bank in the country. Besides banking, the bank is also providing the ATM service.

## **Statement of the Problem**

Majority of people are in need of money to invest in productive sector and more capital is needed even to use modern technology which can be possible only through the banks. The village money lenders are providing credit on excessively high interest rate and even collecting deposits in low interest rate. If financial intermediaries like bank and financial institution do not play important role in channeling saving to productive sectors in such situation it will not be possible for capital to formulate and to compete in the international market. The general policy and practices followed by Nepal with respect to interest rate charged and offered by banks and financial institutions is a subject of great debate, especially in recent years. When credit becomes more costly and less available, total spending for goods and services falls, businesses cut back production and reduce their inventories. As a result, unemployment economic growth slows down. An interest rate is the cost of borrowing and the interest rate is the rate expressed as a percentage of the total sum borrowed, for a stated period of time. It is normally expressed as a percentage over the period of one year. It is also a vital tool of monetary policy and is used to control variables like investment, inflation, and unemployment. Interest rates are very closely watched indicators of a financial market. Capital formulation and its proper utilization are highly essential for economic development of the country. As the banks and financial institutions have a significant role to play in the economic development of a country, more emphasis should be placed in enhancing deposits from savers and lending to those potential investors/borrowers which require financing from the banks by providing interest to the depositors and charging interest to the borrowers. Generally, when interest provided on deposits is very less, people keep their surplus fund idle. In the same way when interest charge on lending is very high the possible investors will also be unable to borrow funds for investment. However, interest on deposits must be able to increase the amount of deposits by encouraging people to save their income and on the other hand, lending rate of interest must be attractive to the investors so that they will be able to enjoy the benefit by

utilizing borrowed funds. This can be possible only when the fund seeking people will be able to earn more than what they pay as interest on borrowing funds. But whether the financial system of Nepal is able to attain such situations or not is a matter of concern for us. The problems of this study are as follows.

- Does substitution effect is practical in the context of Nepal or not? In other words, what is the effect of high interest rate on savings (deposits)?
- Are borrowers of Nepalese market sensitive to the interest rate of credit? Alternately, what is the relationship between interest rate and borrowing amount?
- What are the other major qualitative factors that shape the interest rate of commercial banking sectors of Nepal?
- What are the various methods that commercial banks in Nepal use to calculate the interest rate they charged to borrowers?

### **Objectives of the Study**

The main aim of this study is to identify the influencing factors of interest rate charged and offered by Nepalese banks through examination of the relationship between influencing factors and interest rate. The other specific objectives are as follows.

- To examine the interest rate structure on deposits and lending of sample commercial banks.
- To analyze the relationship of interest rate on the volume of deposits and the relationship of interest rate structure on the volume of lending of sample commercial banks.
- To analyze the trend of lending amount and deposit amount of sample commercial banks.
- To examine the impact of lending rate on lending amount and deposit rate on deposit amount of sample commercial banks.

## **Research Questions**

The study will try to analyze the impact of interest rate on deposit and lending of four commercial banks. The study attempts to address the following research questions as follows:

- What is the effect of high interest rate on savings (deposits)?
- Are borrowers of Nepalese market sensitive to the interest rate of credit?
- What is the relationship between interest rate and borrowing amount?
- What are the other major qualitative factors that shape the interest rate of commercial banking sectors of Nepal?
- What are the various methods that commercial banks in Nepal use to calculate the interest rate they charged to borrowers?
- What will be the future trend of deposit collection and credit granting?
- What is the relationship between deposit rate and deposit amount?

## **Significance of the Study**

Nepalese interest rate varies time to time, region and sector to sector. The function in interest rate is a regular phenomenon in developing countries. Therefore, it is quite necessary to develop some ideas about the impact of interest rate to the economy. Furthermore, it is important to know the policies of financial institutions regarding rate of interest and its impact on various financial institutions. This study will try to help analyze the interest rate structure of commercial banks in Nepal and try to develop some ideas to know whether it influences deposits and lending. This being an important aspect for the economic development of the country has not much been emphasized that means very few number of research work has been found in this topic. Hence, it is hoped that the finding of the study to some extent will help the policy makers to make strong policy regarding interest rate charged on deposits and lending in Nepalese context. Similarly, it can be fruitful resource for teachers, students, researchers, academicians, general individuals and others in abstracting some useful information about interest rate, deposits and lending.

## **Limitations of the Study**

As we know that every activity has limitations due to time and resources, this thesis also pass through some boundaries. The main limitation likely to be faced for this study could be as given below;

- The sample are taken only from commercial banks, other financial intermediaries are not included in the study.
- The deposit amount and lending amount of the commercial banks are influenced by several factors. However, this study mainly focuses on the interest rate.
- This study covers only ten fiscal years from 2002 to 2011.
- Although there are many other commercial banks, samples cover only four because of the unavailability of sufficient and accurate data along with other constraints.

## **Organizations of the Study**

The study has been divided into five chapters to make study more systematic:

### **Chapter - One: Introduction**

The first chapter includes background, profile of sample bank, statement of the problems, objectives and organization of the study, significance of the study, limitation of the study and organization of tee study.

### **Chapter - Two: Review of Literature**

This chapter mainly deals with the literature review in which articles; journals and abstract of the previous researches done on the related topic are situate.

### **Chapter - Three: Research Methodology**

This chapter deals with research methodology used to carry out the research. It includes research design, sources of the data, population and sample, sources and technique of data collection, statistical and financial tools used to analyze the data.

### **Chapter - Four: Presentation and Analysis of Data**

It contains Presentation and Analysis of relevant Data and information using various analytical tools and the concept of remittance. This chapter is one of

the main chapters of the study. It includes almost data and graphs are interpreted in such a way so that the objectives of the study can be achieved.

### **Chapter - Five: Summary, Conclusion and Recommendation**

The fifth and final chapter consist summary of findings, conclusion and recommendation and various suggestions for the improvement of future performance of the company.

Similarly, at the front part of the study table of contents, recommendation sheet, viva voice sheet, acknowledgement, list of table and figure and abbreviation are presented and bibliography and appendices are presented at the end of the study.

### **Research Gap**

Research gap refers to the gap between previous research and this research. Many research studies have been conducted by the different students, experts and researcher about deposit mobilization, lending and interest rate. There have been fund numerous research studies on financial companies and public enterprises regarding deposit mobilization, lending and interest rate. But the Assessment of Interest Rate on Nepalese Commercial Banks and It's Impact on Deposit & Lending can be hardly fund from the review of related studies no one study have been found on Assessment of Interest Rate on Nepalese Commercial Banks and It's Impact on Deposit & Lending with reference to EBL, NIBL, RBB and NBL.

The financial and statistical tools used by most of the researchers were ratio analysis, test of hypothesis and regression analysis. This study includes different tools like ratio analysis, correlation analysis and co-efficient of variation, trend analysis, t-test as specific tools. Thus the research study made on "Assessment of Interest Rate on Nepalese Commercial Banks And It's Impact on Deposit & Lending" will be an effort to analyze on detail about the interest rate, deposit and lending of the EBL, NIBL, RBB and NBL in present situation with the help of various related financial as well as statistical tools and techniques. The study can be beneficial to all the concerned parties and people as well.

## Major Findings

### Analysis of Deposit and Interest Rate

- The average interest rate for fixed deposit of NBL are 6.88%, 6.13%, 5.88%, 4%, 3.75%, 3.75%, 3.50%, 3%, 3.50% and 5.50% respectively for the year 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011. Saving interest rate are in decreasing trend over the study period. The figures show that the interest rate on saving deposit are 5.50%, 5%, 4.75%, 2.50%, 2.50%, 2.50% and 2% up to the fiscal year 2011.
- Saving deposit amount has been increased during the study period but the fixed deposit amount has been decreased over the study period except the FY 2010 and 2011 of NBL.
- The average value of SDIR is 3.08% and the FDIR is 4.59. The Standard Deviations of SDIR, and FDIR are 1.41% and 1.37% respectively, it means SDIR possesses more variability as compared to FDIR. The CV of SDIR and FDIR ratio of NBL is 46% and 29.75% respectively which indicate that SDIR is more variable than FDIR.
- The interest rate on deposit of RBB is in decreasing trend. The average interest rate on fixed deposit is 7.25% in 2002 but it was 6.13%, 5.88%, 3.75%, 3.25%, 3.50%, 3.50%, 3.50%, 3.25% and 7.50% in FY 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 respectively but the saving deposit interest rate is 6%, 5%, 4.75% and 2.25% in FY 2002, 2003, 2004 and 2005 respectively after that the rate of interest remain constant up to the FY 2011.
- The average value of SDIR is 3% and the FDIR is 4.77. The Standard Deviations of SDIR, and FDIR are 1.59% and 1.75% respectively, it means SDIR is less variability as compared to FDIR. The CV of SDIR and FDIR ratio of RBB is 52.85% and 36.79% respectively which indicate that SDIR is more variable than FDIR.
- The average interest rate of Nabil is in decreasing trend during FY 2002 to 2005, it increase at 2006 to 2008 and decreased at 2008 after that increasing up to 2011. Similarly the saving deposit interest rate is 4%,

4%, 2.75% and 2.50% and 3% in FY 2002, 2003,2004, 2005 and 2006 respectively after that the rate of interest remain constant up to the FY 2010 at the rate of 2% and increase in 2011.

- The saving deposit rates of Nabil are declining except the year 2006 and 2011 and deposit amount is increasing in each fiscal year except the year 2003 but the fixed deposit amount has been fluctuated over the study period as an exception.
- The interest rate on saving deposit is 5.25% in the 2002to 2004but it was 5% in 2005, 3.25% in 2006 & 2008 after that the rate is constant at the rate of 3% and the fixed deposit interest rate is 6.50%, 6.50%, 6.13%, 5.75%, 3.75%, 4.25% and 4.25% in FY 2002, 2003,2004, 2005, 2006, 2007 and 2008 respectively after that the rate of interest remain constant up to the FY 2011 at the rate of 5.13%..
- The deposit rates are declining whereas deposits amount is increasing in each fiscal year except the year 2010 and 2011 of EBL.

#### **Analysis of Lending and Interest Rate**

- Over the study period, lending amount of NBL is in decreasing trend from 2002 to 2008 after that amount of lending is increasing up to 2011. In case of RBB the amount of lending is in fluctuating trend over the study period. Similarly, the amount of lending of Nabil is decrease in 2003 after that increasing trend up to 2011 and EBL has increasing trend of lending amount over the study period.
- The average interest rate in lending of NBL is in decreasing trend except for the year 2011, average interest rate in lending of RBB and Nabil is in decreasing trend except the year 2010 and 2011 and the average interest rate in lending of EBL is in fluctuating trend over the study period. Over the study period, the average lending rate of Nabil is high than other commercial banks. The average lending rates are 9.92, 10.50, 11.71 and 10.85% of NBL, RBB, NABIL and EBL respectively.

## **Correlation Analysis**

- Correlation between deposit rate and deposit amount shows that there is a negative correlation between DR and DA of sample banks. However, the correlation of Nabil bank is positive it shows the positive relationship between DR and DA of Nabil. The value of coefficient of determination shows that 20.67%, 10.56%, 29.40% and 6.83% of the total variation independent variable (DA) is explained by independent variable (DR). It explains that the relationship between DR and DA of sample banks has not come out significant statistically.
- Correlation between lending rate & lending amount shows that there is a positive correlation between LR and LA of sample banks except the EBL. However, the correlation of EBL is positive. The value of coefficient of determination ( $r^2$ ) shows that 36.5%, 8.6%, 44.1% and 44.6% of the total variation independent variable (LA) is explained by independent variable (LR). The calculated 't' value of NBL and RBB are less than the tabulated so that the relationship between LR and LA has not come out significant statistically. However, the calculated value of 't' is greater than the tabulated value of 't' in case of NABIL and EBL therefore it shows that the relationship between LR and LA has come out significant statistically.

## **Trend Analysis**

- The calculated value of 'b' is positive of all sample banks; it is found that the bank's DA is increasing with time. If other things remaining the same, the DA increasing by Rs. 1953.92, 1384.64, 554.74 and increase by Rs. 2226.51 million every year of NABIL, EBL, NBL and RBB respectively.
- The trend line of LA of sample banks is increasing trend. Since, the calculated value of 'b' is positive of all sample banks; it is found that the bank's LA is increasing with time. If other things remaining the same, it shows that the LA increasing by Rs. 504.28, 3218.25, 94.54 and

increase by Rs. 632.42 million every year of NABIL, EBL, NBL and RBB respectively.

### **Regression Analysis**

- The per point increase in deposit rate leads Rs. 323.36 decreases in deposit amount of NBL, Rs. 664.23 decrease in deposit of RBB, Rs. 1882.29 increase in deposit of NABIL and Rs.0.1167.25 decrease in deposit of EBL.
- The per point increase in lending rate leads Rs. 1679 increase in lending amount of NBL, Rs. 501.03 increase in lending of RBB, Rs. 6149 increase in lending of NABIL and Rs.6213.78 decrease in lending of EBL.

### **Summary**

Financial system is hoped to develop the economy and help to raise the living standard of the people. Financial intermediaries mobilize the fund by collecting the scattered resources from the savers (household, business or government) and provide the collected funds to the users or investors (i.e. lending collected amount from depositors to borrower). The intermediaries of financial systems sustain by lending the fund on higher interest rate and paying the deposit holder a little interest. It means that such organization survive by making profit through a large interest spread on deposit and lending. The decision made to charge and provide interest on lending and deposit affects the profit position of the organization. Depositors are generally attracted by offering the higher interest rates. Similarly high credit rates de-motivate the investors as a result investment in the country shrinks down. Though there are various factors in the economy that affects the deposit amount and lending amount; interest rate is one of the major factor that affect deposit and lending amount. With the major objective of showing relationship between deposit rate and deposit amount i.e. substitution effect, lending rate and lending amount, inflation and interest rate, this study is undertaken.

After the liberal policy adopted by the government, NRB slowly loose the rigidness to fixed the interest rate that financial intermediaries charge and offer.

But time to time, NRB issue directives regarding overall performance of the financial institutions. Therefore, in past few years back, banks and other financial institutions get freedom to quote the interest rate on lending and deposit. This creates the competition in the Nepalese economy. In this sense, this study is conducted to identify whether some of the theories of finance and economics are applicable or not in the Nepalese financial markets. These major theories are like substitution effect, Fisher effect and inverse relationship between interest rate and lending amount. For this purpose brief introduction about Nepalese economy, interest rate, sample organizations, statement of problem, significance of the study and so on are made in the first chapter of this dissertation.

In second chapter, theoretical review as well as review of previous research has been made. Different views about interest, function of interest, theories of interest, factors affecting interest rate and so on are reviewed on that chapter. On the theories of interest, mainly four theories- The Classical Theory, Liquidity Preference Theory, Loanable Fund Theory and Rational Expectancies Theory are reviewed. Similarly the factor affecting interest rate like default risk, marketability risk, exchange rate risk and so on are explained. Similarly, in order to identify the relationship of interest rate and inflation, Fisher effect, Harrod-Keynes effect are also studied on the second chapter.

The third chapter research design covers, population and sample, source of data, methods of data analysis. Out of the total financial system, four commercial banks are chosen for sample purpose; mainly secondary data are used for the analysis.

Lastly On fourth chapter, collected data are presented in tabular and graphic form and analyzed using various statistical tools like mean, standard deviation, correlation coefficient and t-statistics.

### **Conclusion**

Financial institutions are intermediary between the individuals who lend and who borrow the fund. These institutions accept deposits and turn lend it to people who are in need of financial resources. These institutions make the flow

of fund easier. So we cannot deny the role of banks to develop an economy of a nation. It pools the fund scattered in the economy and mobilizes them to the productive sector. As focus on the above explanation the study has covered the inflation rate, interest rates and its relation on deposit and lending and conclusions made by analysis of ten years data.

The interest rates on both deposit and lending of sample banks are found to be in decreasing trend. But deposit amount and lending amount is increasing every year in saving deposit and fixed deposit. From the study, it is found that the interest rate of saving deposit is decreasing continuously whereas on other hand saving deposit amount is increasing in every fiscal year. Therefore, there is a negative relationship between deposit interest rate and deposit amount of sample banks as proved by negative correlation coefficient of sample banks as well as t-test of sample banks. It is found that inflation rate and deposit and lending rate of sample banks are moved into opposite direction.

The values of coefficient of correlation ( $r$ ) between DR & DA of NBL, RBB and EBL are -0.4546, -0.3248 and -0.2615 respectively which shows that there is a negative correlation between DR and DA of sample banks. But the correlation of Nabil bank is positive it shows the positive relationship between DR and DA of Nabil. The calculated 't' value of NBL, RBB, Nabil and EBL are less than the tabulated value, therefore it reveals that the relationship between DR and DA is insignificant. The values of coefficient of correlation ( $r$ ) between LR and LA of NBL, RBB and Nabil are 0.604, 0.297 and 0.664 respectively, which shows that there is a positive correlation between LR and LR of sample banks. However, the correlation of EBL bank is negative it shows the negative relationship between LR and LA. The value of coefficient of determination ( $r^2$ ) shows that 36.5%, 8.6%, 44.1% and 44.6% of the total variation independent variable (LA) is explained by independent variable (LR). The calculated 't' value of all sample banks are less than the tabulated value therefore it reveals that the relationship between DR and DA is insignificant. However, relationship between lending rate and lending amount is significant

of Nabil & EBL and insignificant of NBL & RBB. The trend of deposit amount and lending amount of all sample banks are increasing every year.

### **Recommendations**

To fulfill the objectives of this study, related data are collected from different sources. These data are presented; analyzed and interpreted then conclusions are made. Based on the analysis, interpretation & conclusions, certain recommendation can be made here so that the concerned authorities, future researchers, academicians, bankers can get some insights on the present conditions on above topics. It is considered that this research will be fruitful for them to improve the present condition as well as for further research. The major recommendations after this study are:

- Interest rate on deposit is too low in Nepal. Commercial Banks are suggested to increase the interest rate on deposit as far as possible so that the depositors are attracted which helps to generate more capital for the development of the economy. Though this situation reduces their profit opportunities, but it will enhance the economic condition of the country in the long run.
- Liquidity crises occurred due to low interest rate on deposit as well as high interest rate on lending. As the central bank of the country, NRB has power to specify the range or spread between lending rate and deposit rate. So, NRB takes increasing interest rate on deposit policy. So NRB is suggested to strictly apply this policy to financial institutions and regularly monitor so that the problem of higher gap between two interest rates in the country will be solved.
- As the key to success for any organization and for a good financial system in the country capital and investment is essential, this is possible only by proper decision making of interest. So, all the commercial banks are important to set proper and practical interest rate policy.
- Though the interest rate in a free market is determined by the interplay of demand and supply, the concerned parties who fix the interest rates are suggested to include the inflation premium as far as possible while

fixing the interest rates. If the rate of inflation is not considered & real rate comes out to be negative then depositors may withdraw their money and utilize it on non-productive sectors.

- While reducing the lending rate, it is suggested to reduce more on productive sectors than non-productive sectors. If not possible then bankers can reduce the rate of all sectors proportionately.
- Lending institutions are suggested to invest on new areas as well as to introduce competitive customer oriented schemes on lending and borrowing so that more lending and borrowing can be promoted and over liquidity problem may be solved.
- As NRB publications are the major sources of collecting the secondary data and information regarding this topic from the experience, it is suggested that NRB should pay special attention to publish detail information on timely manner.
- Sample institutions are also suggested to include their interest rate structure in their annual reports.
- The financial institutions are suggested to include the inflation premium as far as possible while fixing the interest rates. If the inflation rate is not considered and real rate come out to be negative then depositors may withdraw their money and utilize it on non-productive sectors. Investment should be higher yield oriented. For this they have to invest their fund in sector with higher return as well as introduce competitive customer oriented schemes. It will increase the profit position of commercial banks.