

**DEPOSIT ACCEPTANCE AND LOAN
DISBURSEMENT PATTERN OF NEPAL
BANGLADESH BANK LTD.**



A THESIS

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Declaration

I hereby declare that work reported in this project entitled *Deposit acceptance and loan disbursement pattern of Nepal Bangladesh Bank ltd.* Submitted to the office of Dean, Faculty of management, Tribhuvan University is my original work done in the forms of partial fulfillment of the requirement of Master of Business studies (M.B.S) under the Guidance of Mr. Achyut Gyawali Lecturer of T.U Kathmandu, Nepal.

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TABLE OF CONTENTS

	Page
Chapter 1: INTRODUCTION	
1	
1.1 General Background	1
1.2 Profile of NB bank	5
1.3 Statement of problems	8
1.4 Objective of the study	12
1.5 Significance of study	13
1.6 Limitation of the study	13
1.7 Organization of the study	14
Chapter 2: LITERATURE REVIEW	16
2.1 Review of book	16
2.2 Review of articles	19
2.3 Review of thesis	26
2.4 Review of legislative Provision	30
Chapter 3: RESEARCH METHODOLOGY	31
3.1 Research design	32
3.2 Population and sample	33

3.3 Nature and sources of data	34
3.4 Tools use	35
3.5 Data collection procedure	38
3.6 Method of Data analysis and presentation	38
Chapter 4: DATA PRESENTATION AND ANALYSIS	39
4.1 Introduction	39
4.2 Deposit of NB Bank	39
4.2.1 Types of deposit	42
4.2.2 Trend of deposit collection	46
4.3 Loan disbursement of NB Bank	47
4.3.1 Trend of loan disbursement	50
4.4 Interest income	51
4.5 Net profit before bonus and tax	52
4.6 Percent change in deposit collection and Loan disbursement	52
4.7 Comparative study of loan disbursement and Collection of NB bank and loan disbursement	53
4.8 Loan disbursement to deposit collection	54
4.9 Coefficient of correlation between deposit collection	

And Loan disbursement	55
4.10 Type of loan disbursement by NB bank	56
4.11 Loan loss provision of NB bank	56
4.12 Securities needed for borrowing from NB bank	58
4.13 The major finding of study	58
Chapter 5: SUMMARY, CONCLUSION AND RECOMMENDATION	61
5.1 Summary	61
5.2 Conclusion	63
5.3 Recommendations	64

BIBLIOGRAPHY

APPENDIX

LIST OF TABLES

page

Table: 1 List of commercial banks	4
Table: 2 Promoter of NB bank	7
Table: 3 Deposit collections by NB bank	40
Table: 4 Types of deposit	43
Table: 5 Loan disbursed by NB bank	47
Table: 6 Interest income	51
Table: 7 Net profit before bonus and tax	52
Table: 8 Percent change in deposit and disbursement	53
Table: 9 Comparative study in collection and disbursement	53
Table: 10 Loan disbursed to deposit collection	54
Table: 11 Loan loss provision	57

LIST OF FIGURES

page

Figure: 1 Deposit collection by NB bank in bar diagram	41
Figure: 2 Deposit collection by NB bank in pie chart	42
Figure: 3 Types of collection by bank	45
Figure: 4 Deposit trend of NB bank	46
Figure: 5 Loan disbursement by NB bank in bar diagram	48
Figure: 6 Loan disbursement of NB bank in pie chart	49
Figure: 7 Loan disbursement trend of NB bank	50
Figure: 8 Interest income of NB bank	51
Figure: 9 Net profit before interest and tax	52
Figure:10 Loan disbursed to deposit collected	55

ABBREVIATION

A/C	Account
ABBS	All Bank Banking Service
AD	Anno Domini
B.S	Bikram Sambat
BFI	Bank and Financial Institutions
CD	Current Deposit
FD	Fixed Deposit
FY	Fiscal year
i.e.	That is
IFIC	International Finance Investment and Commerce
L/C	Letter of credit
NBA	Nepal Bankers' Association
NBBL	Nepal Bangladesh Bank Limited
NPLs	Non Performing Loan
NRB	Nepal Rastra Bank
P.E	Probable Error
SD	Saving Deposit
T.U.	Tribhuvan University

CHAPTER 1

INTRODUCTION

1.1 General Background

Nepal is a developing country with agriculture – based economy and vary low standard of living. Nepalese mainly depend upon agriculture and land distribution is not properly move than seventy present of the of the total population directly or indirectly engaging in agriculture, agriculture system is traditional and growth rate is poor contribution on whole national income is pro-presently very low.

Banks are that financial inter-mediator who accepts deposit and grants loan. In other words bank may be defined as financial inter-mediator accepting deposit of and granting loans. Offers the widest menu of survives of any financial institution. Certainly banks can be identified by the functions they perform in the economy financial institutions including security dealer's brokerage firm's mutual funds and insurance companies are trying to be as similar as possible to bank in the services they offer.

Bank play a vital role in developing the economy of any country It is resource mobilizing institution which accepts deposit from the various sources and provide interest they may be institutional and non institutional three types of A/C like fixed A/C, saving A/C and current A/C. the bank mainly known as well mobilizing the sources (money) such accumulated resources in the fields of agriculture, Trade, commerce, Industry, Tourism etc.

The bank sector is responsible for collecting household saving in there of different types of deposit and regulation in the society by lending in different sector of economy. By lending their resources in small scale industries under intensive banking program has enabled the banks to share in the economics growth of economy.

Now a day, two types of banking parities are seen in the rural financial market. Commercial banks and development Banks the commercial bank usually make business in urban areas whereas development banks provide services in rural areas in the commercial leading. Usually the same client in repeated it loan paid.

Nepal, like all under developing countries has been facing the problem of accelerating the economic development. It is obvious that the economic development is impossible without the development of different sector like agriculture Industry and business etc. So the development of those sectors needs a regular supply of financial resources.

History of banking in Nepal leads us to 1994 B.S when Nepal bank limited was established as the first intuitional bank of Nepal. NBL carried out the function of a commercial bank, the stand of NBL in total monetary and financial sector was not sufficient and satisfactory. The mobilization and implementation of efficient and effective monetary and financial policy to up grate the banking system was essential. This led to emerging of Nepal Rastra Bank act 2012. As per this act, NRB was set up in 2013B.S since it has been functioning as the government's bank and has contributed to the growth of financial sector. Even after establishment of NRB, the de4velopment of banking sector has a long way to go. Banking service has to reach every nook and corner of the country so the people would get wide range of financial service. There seemed a great need of establishment of commercial banks to spread banking service throughout the country. As a result, Rastriya Banijya Bank was established as a fully government owned commercial bank in 2022 B.S. under RBB act 2021. RBB spread its branches in many parts of countries and provide services for the economic welfare of the general public. This development too did not seem to be satisfactory since most of the people embraced agricultural lively hood. People depend on the traditional farming system consuming more cost and yielding less. To introduce better

agricultural system, it needs finance and specialist of that field. To meet this end, Agriculture development bank was established in 2024 B.S. despite these efforts, development of industry and trade remained too slack. in banking, the ways of operations were traditional, there was lack of sophisticated banking system. And bankers were inexperienced gently on paperwork. Soon these banks proved to be insufficient since banking service to the satisfaction of customer. The subsequent tendency towards liberalization and revolution change in the financial sector allowed foreign banks to enter into the economy as joint venture bank. This was expected to develop banking with the pace of change and attract foreign investment and technology. The established of Nabil Bank Ltd. In the name of Nepal Arab bank ltd. In 2041 B.S. was a stride in the history of modern banking in Nepal. Following this in 2042 B.S Nepal Indosuez Bank ltd and in 2043 Nepal Grind lays Bank ltd was established Nepal Bangladesh Bank was established in 2051 B.S under company act 2021.(NRB,2014)

Till the date there are 31 commercials banks in Nepal. NB Bank has also been listed in A class financial institution two years ago. Therefore, there are 31 ‘A’ class financial institution (commercial bank). Till the period of this study, a new commercial bank has also been found to the licensed to practice commercial banking operations in Nepal. The name and the year of the establishment of the commercial banks in Nepal have been listed below.

Table: 1 list of commercial banks

S.N.	Name of the Bank	Head Office	Established date (B.S)	Paid up Capital (in 1,00,000)
1	Nepal Bank Ltd	Dharma path, Ktm.	1994/07/30	3803.83
2	Rastriya Banijya bank	Singdarbar Ktm.	2022/10/10	11723.00
3	Agriculture Dev Bank Ltd	Ramshah path Ktm.	2024/10/07	94743.00
4	NABIL bank limited	Kantipath Ktm.	2041/03/29	20297.69
5	Nepal investment bank	Darbar marg Ktm.	2042/11/26	30129.24
6	Standard charter bank	Baneswar Ktm.	2043/10/16	16101.68
7	Himalayan Bank Limited	Thamel Ktm.	2049/10/05	24000.00
8	Nepal SBI Bank	Hattisar Ktm.	2050/03/23	20939.90
9	Nepal Bangladesh Bank	Baneswar Ktm.	2051/02/23	20093.96
10	Nepal Everest Bank	Lajimpat Ktm	2051/07/01	13915.70
11	Bank of Katmandu	Kamaladi Ktm	2051/11/28	16041.87
12	NIC Asia Bank	Siddharthnagar Rupandehi	2053/06/28	34000.00
13	Lumbini Bank	Narayangadh	2055/04/01	14300.00
14	Nepal industrial commercial bank	Biratnagar	2055/04/05	13115.52
15	Machhapuchchhre Bank	Pokhara	2057/06/17	24787.94
16	Kumari Bank	Darbarmar Ktm	2057/12/21	16038.00
17	Laxmi Bank	Birganj	2058/12/21	16940.81
18	Siddhartha Bank	Kamaladi Ktm	2059/09/09	16192.44
19	Global IME bank	Birjanj	2063/09/18	21845.00
20	Citizen Bank	Kamaladi Ktm	2064/01/07	21018.40
21	Prime Bank Limited	Newroad Ktm	2064/06/07	22457.46
22	Sunrise Bank	Gairidhara Ktm	2064/06/25	20150.00

23	Grand bank	Kamaladi Ktm	2065/02/12	20000.00
24	NMB bank	Babarmahal Ktm	2065/02/20	20000.00
25	Kist bank	Anamnagar Ktm	2066/01/24	20000.00
26	Janata bank	Naya Banaswar	2066/12/23	20000.00
27	Mega bank	Kantipath Ktm	2067/04/07	16310.00
28	Commerz and trust bank	Kamaladi Ktm	2067/06/04	14000.00
29	Civil bank	Kamaladi Ktm	2067/08/10	12000.00
30	Century bank	Putalisadak Ktm	2067/11/26	10800.00
31	Sanima bank	Nagpokhari Ktm	2068/11/03	20160.00

Source:www.nrb.org.np

Beside there are 88 Development Banks, 5 Grameen Vikash Banks, 77 Finance Companies, 53 co-operative, 25 insurance companies conducting financial transactions operating under the rules and regulations of Nepal Rastra Bank NRB.

1.2 Profile of NB bank

Nepal Bangladesh Bank Ltd was established in the year 1994 with IFIC Bank Ltd of Bangladesh with the goal to become “The Bank for everyone”. Over the years bank has been successful to increase the paid up capital to Rs 2 Billion. Its Head Office is situated at New Banaswor, Bijuli Bazar, Kathmandu.

The prime objective of this bank is to render hospitality to the valued customer. With a network of 21 branches and a corporate office, bank has been providing the extensive services to the valued customer. To facilitate the valued customer

bank had successfully install 26 ATMs and holiday banking for their convenience. Bank also has 4 branches less banking.

The bank has earned the glory of making available the services for almost all the top business houses. Top exporter and importers of the country have established banking relationship with the bank with a substantial volume of foreign business which has enhanced the bank's popularity in the international trade front.

With the continuous support of our valued customers the bank has made all round progress in every sphere of its operation. This is the first bank to launch the special deposit product for women introducing "Grihini Bachat Khata". We ensure our valued customer to deliver the innovative products and services as per requirement which will be highly beneficial to create the value.

Loan management strongly recommends analyzing and managing the credit risks. Credit risk is defined as the possibility that the borrower will fail to meet its obligations in accordance with the agreed terms and conditions credit risk is not restricted to lending activities only but includes off balance sheet and inter-bank explores. The goal of the credit risk management is to maximize a bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable parameters. For most banks, loan are the largest and most obvious sources of credit risk, however other sources of credit risk exist throughout the activities of a bank, including in the banking book, and in the trading book, and both increasingly facing credit risk in various financial other than land, including acceptance, inter bank transactions and guarantees and the settlement of the transaction.

The authorized and paid up capital of NBBL

particular	Amount in Rs
Authorized capital	3000,000,000
Paid up capital	2009,395,600

Table: 2 Promoter of NBBL

Group	Promoter	Investment	Percent
A	Local	5,765,912	28.69
B	Foreign	4,612,500	22.95
C	Public	9,715,554	48.36
	Total	20,093,966	100

Source: www.nbbl.com.np

The bank has 22.95 percent foreign ownership and 28.69 percent local promoter and 48.36 percent public promoter.

MANAGEMENT

The bank is managed by a team of professionals led by well experience and dynamic personality. Other team members include expatriate managers from Bangladesh under technical service agreement with IFIC bank ltd. And enterprising professionals having experience in the field.

Considering the present competitive environment and the need to clear to increasing customer need, the bank has given top priority to customer oriented services. It has started customer financing like: hire purchase loan, education loan and housing loan under specialized loan scheme. It fallows NRB directives for carrying out loan disbursement and collection function. Loans are provided

to various sectors as per NRB directives and provision for possible loan losses have also been made as per the directives.

HUMAN CAPITAL

- » Total no. of staff till date: 815
- » Total no. of staffs as on 16th July 2012: 414
- » Male: 262
- » Female: 152

- » Per Staff Net Profit in FY 2011/12: NPR.

Source: www.nbbl.com.np

CORPORATE GOVERNANCE

There are three board level committees in the bank to maintain stability. These Committees are prescribed by the Nepal Rastra Bank. These committees are led by the Board members as a chairman of the committee. The objective of these Committees are to bridge between line management and board of the bank. Generally terms of reference of these committees are prescribed by the NRB. Meeting of these committees are held regularly to discuss on respective areas. Fee for per meeting per member is NPR. 4,500 (Other than Staff member).

1.3 Statement of the problems

The Bank can't live without managing its liquidity position. This liquidity position depends on the management of deposit of loan disbursement loan in time and their self standing capacity. A bank or by financial institute can

disburse necessary amount to their borrowers and collect the entire disbursed amount in time. If there is a good loan management system. Without effective and proper loan management no enterprise can accomplish its predetermined goals and objectives hence. It is the life blood of any financial institutions.

This research paper attempts to show the effective application of loan management within conceptual framework deposit and loan disbursement pattern.

The year 2011 might be a one for the banking sector as to whether to head towards more crises or revival.

The entire banking sector is coping with multiple challenges—liquidity crisis, inflated interest rate, declining deposits and danger of real estate collapse.

Never before had the country's financial industry faced such multiple challenges at once, let alone the problem of Nepal Bank Limited and Rastriya Banijya Bank both of whom turned sick about a decade ago. Will the banking sector overcome these challenges in 2011?

From the look of things, the liquidity problem that started in the second half of the fiscal year 2009-10 is not going to be resolved any time soon and this is reflected in the inter-bank lending rate which stands at around 10 percent.

The banking sector will continue to see tight liquidity for a few more months. Newly appointed deputy governor of Nepal Rastra Bank (NRB). "Increased government expenditure in the coming months will give some relief."

The main source of liquidity in the banking sector is deposits. But, commercial banks have failed to attract depositors despite offering high interest rates on deposits.

NRB, in its report on the macro-economic situation of the country, has said that the diversion of deposits from commercial banks to class B and C financial institutions is the main reason for deposits declining in commercial banks.

According to the report, bank deposits declined by Rs 4.5 billion in the first four months of the current fiscal year. Deposits in commercial banks stood at Rs 622 billion as of Dec. 24. Development banks' deposits rise by 63 percent to Rs 77 billion and finance companies saw their deposits grow by 35.08 percent to Rs 77 billion in the last fiscal year. (NRB, 2014)

However, bankers don't agree with the central bank's claim. "Deposits have not diverted, only the money in the informal sector went to other financial institutions," said president of Nepal Bankers' Association (NBA). "Until the provision related to capital gain tax and anti-money laundering is relaxed, deposits are not going to come to the banks."

Nepal Investment Bank Chairman believes that capital flight is one of the reasons for the sluggish deposit collection of banks.

Another challenge for the banking sector in 2011 is recovering loans given to the realty sector. After the central bank capped bank loans for the realty sector in the second half of the last fiscal year, realty transactions have nosedived. The central bank has confined lending to the housing sector to 25 percent and realty to 10 percent through the monetary policy.

"With realty prices starting to come down and possibility of real state collapse not ruled out, those having taken loans in the speculative market may default," said Joshi. "Defaults may go up in the third and fourth quarter of the current fiscal year." As of the first quarter of the current fiscal year, bank lending to the realty sector stands at about Rs 100 billion, with Rs 65 billion in land alone.

Another challenge facing banks is to maintain profitability. Banks' net profit Rs 3.46 billion in the first three months of the current fiscal year from Rs 3.80 billion in the same period last year, according to banks' quarterly financial

statements. “Profits of banks will come down in the new year due to narrowing margin and intense competition among BFIs.”

Bankers are arguing that the recent guidelines on service charge forced them to increase interest on loans as the guidelines tell them not to keep more than a 2 percent difference in the interest rates on different deposit schemes. This means they are compelled to increase interest on normal deposits and subsequently increase interest on loans.

increasing interest on loans is not the solution for profit maximization. Borrowers do not come to the banks if interest is increased heavily. Therefore, it is better to go for reducing associated costs.

Despite these challenges, there is scope for mergers and acquisitions of BFIs in 2011. In order to encourage mergers and acquisitions, this year’s budget has removed the existing provision of taxing assets and liabilities as disposal after merger.

The central bank is also planning to offer policy relaxation to encourage mergers. We will provide policy relaxation to BFIs willing to go for merger in all possible areas without compromising risks of banks, said deputy governor. It means there will be no relaxation in cash reserve ratio, liquidity prevalence and capital adequacy ratio which are related to risk. However, there might be some relaxation in areas such as branch opening and giving more time to settle the ownership patterns after merger.

It is hopeful that those banks facing much pressure would opt for mergers. It is high time for the Nepali banking sector to consolidate. It is hopeful the merger process will begin in 2011. Many BFIs may mull merger if the government gives concession in many areas including corporate tax, which is currently 30 percent of the net profit.(NRB,2014)

This study tried to address the fulfill following issues.

1. What the position and present status of deposit acceptance and loan disbursement of NB Bank?
2. What is the trend of loan Investment and collection?
3. How is the achievement of purpose used time wise and development regions of loan disbursement and its outstanding and deposit acceptance of NB Bank?
4. How the bank measures the liquidity position and impact of deposit on liquidity?
5. What are the suggestion of some remedies for improving deposit, acceptance and loan disbursement pattern of NB Bank?

1.4 Objectives of the Study

The main objective of the present day in to evaluate the deposited acceptance and loan disbursement pattern of NB bank .The specific objective of the study are:

1. To analyze the purpose- wise, term-wise loan disbursement, repayment and outstanding of NB bank of last five years.
2. To see the repayment situation in each and every year.
3. To find out the rate of growth of loan disbursement, repayment and outstanding of NB bank.
4. To developed a model that best describe the relationship between principal collection and outstanding loan on disbursement loan. and
5. To give suggestions recommendation for the better evaluates the trend of loan disbursement and collections.

1.5 Significance of Study

NB bank is one of the major financial institutions supporting to the development and house hold NB bank contributing economy development. The study provides some informational financial still now play vital role in every sector. this study provides some information of analyze the data and some occurring problems for specifics field .this study tries to focus the NB bank deposit and loan disbursement paten so the all Nepalese entrepreneur can get some knowledge about receiving the institutional credit form NB easily . In the context of Nepal, very few studies and research have been data needed to deposit and loan disbursement of NB bank.

There are few researches done in loan management of commercial banks. Loan management is one of most important aspect of the bank. The study of analysis of loan management of the chosen selected banks would be beneficial to the shareholders, banking professionals, investors, teachers and students of banking management.

This study is focuses in the qualitative measurement of the selected bank. Similarly, the finding of the study will equally important t o other who is interested in knowing about bank. It will provide relevant and pertinent literature for the future research on the area of loan management of the bank.

1.6 Limitations of the Study:

Today's world is dynamic everything existing here are of limit character. Likewise this study is also surrounded by limitations this study is for partial fulfillment of MBS course of TU so it May not be useful for other aspects. The main limitation of the study is the follows.

- The study mainly concern with NB bank.

- This studies focus only on the deposit and loan disbursement pattern.
- Data which is use in the study are last 5 years, from 2008 to 2012.
- Availability of relevant data and other information determine its scope.
- The secondary data is used to analyze and interpretation for result. So the accuracy of the finding depends on the reliability of available information.
- In some extent, the data published on website of related banks has been taken.
- Due to time and resource factor only one commercial bank taken for the study.

1.7 Organization of the Study

The study divided in five different chapters. The first chapter introduction. In the same way literature review will be mention in second chapter and research mythology will be mention in the third chapter. Similarly data presentation will be put in the fourth chapter and summary, conclusion and recommendation mention in last chapter. Bibliography and annexes presented at the end of this study.

Chapter-1: Introduction

The first chapter deals with the subject matter consisting introduction, background of the study, statement of the problem, objective of the study, significance of the study, limitation of the study and organization of the study.

Chapter 2: Review of Literature

The second chapter is mainly focused with literature review that includes a discussion on the conceptual framework on loan management and review of major – studies relating with lending decision.

Chapter 3: Research and Methodology

The third chapter describes the research methodology used to conduct the present research. It deals with research design, sources of data, data processing procedures, population and sample; period of the study, method of analysis and financial and statistical tools.

Chapter 4: Data Presentation and Analysis

The fourth chapter is concerned with analytical framework. It includes the analysis of financial indicators. Analysis of mean, correlation coefficient, regression analysis, trend analysis and financial analyses, the major findings are included are the end of the chapter.

Chapter 5: Summary, Conclusion and Recommendations

The fifth chapter includes the summary, conclusion and recommendations of the study which deals about the main theme of study and comparison of lending policy of the banks with recommended for improvement of loan management of the selected banks. The bibliography and appendix also incorporated at the end of study.

CHAPTER 2

LITERATURE REVIEW

We know that, many researcher have research in the field of commercial banks especially on the field of financial performance, fund mobilization policy compliance with NRB directives etc. besides these there some books articles thesis and other relevant study concerned with the loan disbursement and collection pattern of these banks. Some of the relevant studies, their objectives, finding conclusion and other literature related topic have been reviewed below.

2.1 Review of books

Singh and Singh (1983), put forth their view in the book written by them “financial analysis for credit management in banks” the investment policies of banks are conditioned to great extent by the national policy framework. Every banker has to apply his own judgment of arriving at a credit decision keeping his bankers credit policy also in mind.

Bhatt achaarya (1997) in his book “banking strategy, credit appraisal and lending decision”. He has put the recommendation of tendon comity for the report submitted by his comity. The comity prepared his report in 1975. However, these recommendations still hold a great significance in the sector of credit appraisal and landing. Breaking away from the traditional methods of credit appraisal, the system proposed by the comity in joint upon the bank to assess the need based credit of the borrower on the rational basis, to insure proper end, use of bank credit by keeping a close watch on the borrowers business to improved the financial discipline of the borrower and to develop healthy banker borrower relationship.

H.D Gross(1963) in his book “management policies for commercial banks” stated lending is the essence of commercial banking; consequently the formulation and implementation of sound lending policies are among the most important responsibilities of bank director and management. Dell conceived lending policies are essential in a bank to perform its credit creating function effectively and minimize the risk interest in any intention of credit. Well conceived lending policies and careful lending practices are essential if a bank is perform its credit creating function effectively and minimize the risk. Gross has further pointed various factors to be considered before planning for sound lending policy. Other factors for consideration for sound lending policy include creditworthiness, assets pledged to secure borrowing, interest rate policy ec.

Rao (1984), in his book “current trend in Indian banking” opines that one of the primary function of development in banking is deposit mobilization. Without deposit coming as they do for the public and the saver, banks will not have the resources to lend. With adequate resources, lending can have a wider coverage to meet the credit needs of all the sectors of the economy. Deposit and credit operation always go together and each is interconnected.

Cottor (1980) in their book ‘commercial banking’ focus on the importance of loan in banking sector. as per their view, loan are the most important assets held by banks and bank lending provides the bulk of bank income. Lending is not only important to the bank only, it is equally important to the community the banks serve. That’s why loan policies must be worked out carefully after considering many factors.

Crosse(1963) in his book management policies for commercial banking, consequently the formulation and implementation of sound lending policies are

among the most important responsibilities of bank directors and management. Well conceived lending policies and care lending practices are essential if a bank is to perform its credit creating function effectively and minimize the risk inherent in any extension of credit. Before formulating lending policies. Many factors have to be taken into consideration because bank is not the real owner of the deposits but rather the custodians of money.

He has further pointed out the various factors to be considered before planning for sound lending policy, the factors include community's need of money, determining the size of the loan portfolio and character or payment, purpose and protection. Other factors for consideration for sound lending policy includes creditworthiness, assets pledged to secure borrowing, interest rate policy etc.

Klisse (1964) in his book "money and banking" that in the economy that depends more and more on credit, banks find themselves lending for variety of purpose, sometime directly, sometimes through agencies .m this wider use of loan is not due merely to a change in attitude of the banks, it reflects also more fundamental changes such as shifts in the people's consumption patterns and in financial investment policies.

He further explains 4c as character, capacity, capital and collateral. He suggests that the most obvious thing for the creditor to investigate in the borrower's past attitude towards his obligation. He calls this attribute 'character'. If the prospective borrower is considered a good risk from the stand point of character. If the prospective borrower is considered a good risk from the standpoint of character, he still cannot be safely extended credit unless he appears able to make repayment. This clarifies the importance of borrower's capacity. For longer loan or other extension of credit the applicant need to show that he already has resources of his own. Sometimes, but not always, the debtor

fails to live up to his agreement, the creditor sells the collateral and uses the proceeds to cancel the credit.

Sapkota (2001) A bank is a government regulated, profit making business that operates in competition with other banks and financial institutions to serve the saving and credit needs of its customers. The primary business of banks is accepting deposit and lending money. Banks accept deposit for customers who want the safety and convenience of deposit service and the opportunity to earn interest on their excess funds.

2.2 Review of articles

Among the reviewed articles from various journals written by various writers, the major and mostly contributing to the study have been outlined below.

Pradhan (2069), in his article “the importance of loan information centre and its activities” published in NRB annual publication says that the loan information center was established to fulfill the necessity of a company working in relation to information related to loan. Also he explain negative trends like delaying the payment of principal and interest, deficient loan approval procedure, lack of constant inspection of projects, lack of coordination between bank and financial companies. The bank and financial companies to help the information centre by following the directives of Nepal Rastra Bank.

Adhikari (2065) in his article “some of the characteristics of umbrella ordinance” published in Mirmire writes that objective of enhancing the belief of public in overall banking and financial sector system of the country, provide reliable and quality banking service, reducing the risk in banking and financial sector managing the strong legal provision of establishment, operation and management

Of banking and financial sector.

Regmi (2066), in his article “the negative impact borne by the selling of collateral for loan recovery”. NRB annual publication states that it is very important for that banks to know the necessity of loan. The loan demander’s intention, capacity of loan utilization, the loan payment, awareness of interest payment, position of cash flow statement, submission of necessary paper along with loan schedule etc. should be analyze properly before accepting the loan proposal. Banks decide whether or not to grant loan by analyzing the risk associate with loan. So they believe in ‘take risk by choose, not by chance’. Beside banks seek legal ways if loan cannot be recover in time. Another mention that there are several reason behind the failure in loan recovery. Some of such reason include the lack of quality investment procedure and standard collateral evaluation system, political pressure in loan disbursement, lack of proper law and the implementation of existing ones, centralization of loan etc.

Copra(1989) in his article "Role of foreign banks in Nepal" published in Nepal Rastra Bank Samachar about the joint venture bank has concluded that the existence of the joint venture banks in Nepal seems crucial as they have been playing dynamic and vital role in economic development of the country that will undoubtedly go on increasing with time.

Nepal (2061) express in his article “Home loan that makes land and building costly” published in Himal Magazine that due to the unstable economic condition and internal conflicts in country , the existing areas of investment like industry , trade, tourism , service etc. are narrowing down. However, due to remittance from foreign countries. The bank deposits especially in the joint venture banks have increased. So this bank has started to explore new areas of investment. One of such area is construction of houses. Home loan program

have become like a boon to the banks these days as there seems to be no default in housing finance.

K.C (1996), in his article states, “The changing face of the banking sector and the Nepal government recent budgetary policy”. Concludes the following an introduction of the reform in the banking sector as an integrate part of the liberal economic policy, more banks and finance have come up as a welcome measure of completion. However because of poor investment policies and lack of internal control the two governments controlled banks, Nepal bank Ltd and Rastriya Banijya Bank has awarded the management contact to foreign companies to improve the condition of non performing assets. The policy of giving management is professional consultant is a part of the financial sector reform policy of NRB.

Khadka(1998), in this study entitled “A study in the investment policy of Nepal Arab Bank Ltd. In comparison to other joint venture bank of Nepal” has recommended that, the bank should utilize its deposit account as loan and advances to get success in competitive banking investment. Loan and advances are the profitable assets for the banks but ineffective management of the loan and advances create the serious. Problems to the banks and the major reason behind the bank liquidation and failure could be the weakness of the loan management.

Karki(2000), The financial sector is facing major challenges of high NPL of banking sector, which comes around 18% of the total loan but it the loan classification is made according to least international practice, it is assumed to exceed 30% credit demand is being met largely by non institution source i.e. private money lender, merchant trade, individual and land lord at very high rate

Of interest, this is 2-3 times higher than of institutional source, these shows that the unorganized financial sector is playing a major role in Nepalese economy. The liquidity has a major role in Nepalese economy. The liquidity position of the banking sector is rated as high as 24%, but the productive sector of the economy is starved by credit crunch. This has created a paradoxical situation on banking sector. He has given some suggestion to improve the Nepalese financial sector.

The financial institution especially CBs have to identify new area of investment to increase loan and advance in reducing the liquidity position.

With the rapid growth of the number of banks and financial institution, deposit insurance scheme is a must. The principle reasons for introducing such deposit insurance should be one of the social justice's rather than economics justification in order to protect the interest of the small depositors. In this condition, this scheme should be expedited to implement.

Sabitri Shrestha (2003) in her study entitled "Impact and implementation of NRB Guidelines (Directive of Commercial Bank- A study of Nabil Bank limited and Nepal SBI Bank have been fully implantation the NRB directives but in same cases such like supplementary capital and balance of NRB there is shortfall . the banks have categorized the loan amount into four loss providing amount decrease the profit of the banks. The charge in the single borrower limit has

Brought down the limit of the fund based and non-fund based loan which have resulted to reduced loan exposure to banks.

In her thesis she has recommended that both Nabil bank and SBI bank ti increase it supplementary capital as it has shortfall in comparison with NRB guidelines and to meet the supplementary capital adequacy ratio even though it can be compensated by the excess amount of core capital.

The supplementary capital needs to be increased by Rs. 122.74 million in Nabil Bank and Rs. 125.57 million in Nepal SBI Bank. She says liquidity and profitability are kike two wheels of one cart so bank cannot run in the absence of any one of them. One can be activated only at the cost of the other. Only liquid banks can attract loan core deposit, which help in reducing interest expenses and gibe loan to good customer at lower rate, which results in requirement of less provision and high net profit. So banks should increase their primary reserve now to maintain the liquidity risk due to scrap out the secondary reserve. On the basis of findings, Nabil Banks has a shortfall of Rs.140.74 million thus Nabil has to increase its balance at NRB by such amount for better performance even after adding 1% excess amount of cash of total deposit.

Primary data has been used in order to get the view of banks on the directives issued by NRB. Question related to NRB directives 1.5 are used to collect for the study and implementation of directive by commercial bank secondary data are also used for the analysis this study the general directives issued in 2001 and 2002 are considered for the study. In issued directives of 2001 and 2002 there are 10 directives but only 5 directives i.e (1-5) are highlighted and taken in the study.

Kafle(2005) in his study “Non-performing loan of Nepalese commercial bank. ” the researcher mean objective of the study was to knows the problems of the non performing loan and its effect in the ROA and ROE of Nepalese commercial banks and to find out whether the Nepalese commercial banks are following the NRB directive regarding loan loss provision for non-performing loan or hot.

Through the research he has found that the no banks have been following NRB directives regarding the loan loss provision. He also concluded that the return on assets (ROA) and return on equity (ROE) of the bank deposed upon the regarding loan management to the manpower. In order to remove, the NPL banks should take enough collateral so that banks can recover its loan amount. For the loan loss provision as per the NRB directives and to reduce the NPL the bank management should be effective and the NRB monitoring and regulation is necessary.

Subedi (2006), entitled “A comparative study of financial performance between Himalaya bank limited and Everest bank limited” of the period from 2000-2005 has outlined his major finding and conclusion as follows.

The mean and total loan and advance to total saving deposit ratio of NSBI is greater than that of HBL and the coefficient of variation between the ratio of HBL is less that NSBI. It means that the ratio of HBL is less than NSBI is more employing its saving deposit in term of loan and advance than that of HPL.

So, loan and advance total saving deposit ratio appear in NSBI than HBL.

The mean total investment to total deposit ratio of NSBI is significantly greater than that of HBL, but the coefficient of variation between the ratios of HBL, but the NSBI. It means that the variability of the ratios of HBL is more consistent than that of NSBI. According to analysis, it is found that NSBI is more successful in utilizing its resources in investment. However, he failed to give his overall conclusion regarding the superiority of the financial performance of these two banks during the period of the study. He has also put several recommendations out of which few important recommendations are outlined here.

The liquidity of a bank is many of affected by external as well as internal factors such as the interest rate, supply and demand position of loans, saving to investment situation. Central bank requirement and the growth or slackening monetary policies management capability. HBL has maintained the ratio of cash and bank balance to total deposit considerably lower than that of NSBI. So NSBI is recommended to increase cash and balance to meet loan demand. Mr. Subedi recommended that HBL should increase its cash and bank balance to meet loan demand does not sound logical since nowhere in his study he has concluded that HBL has failed to meet its demand loans. Being the low level of cash and bank balance as compared to another specific bank does not necessarily conclude the necessity of increasing this asset.

2.3 Review of thesis

There are various type theses about loan collection and disbursement of bank written by various researchers in the past years. Some of the thesis are about lending practices of the joint venture banks but rarely are there any about Nepal Bangladesh Bank ltd. However, there are some thesis written in the past which is related or close to the topic some of these are.

Ojha(2002), explain in his thesis, “Lending practices: A study on Nabil Bank limited, Started chartered bank limited and Himalayan bank limited” has find out that the measurement of lending strength in relative term has revealed that te total assets to total liabilities of Started chartered bank limited has high ratio. However the performance of other two banks has not deviated for from the man ratio of SCBNL and the combined average. SCBNL tendency to invest in government securities has resulted with the lowest ratio of loan and advance to the total ratio. The steady and high volume of loan and advance throughout the years has resulted Nabil ratio to be highest. The ratio of loan and advance and investment to deposit ratio has measured the portion of total deposit that is used to increase the income of te banks irrespective of the profiles of its application. Nabil has deployed the highest proportion of its total deposit in earning activities and this ratio is significantly above the ratio of other two banks. The combined ratio is highly deviated from the ratio of Nabil and SCBNL. This is the indicative of that in fund mobilizing activities Nabil is significantly better than SCBNL.

Dhungana(2007) in his thesis about the investment policy of Nepal Bangladesh bank ltd and other joint venture banks summarizes the present condition of Nepalese financial system. Few financial organizations continuously making profit and satisfying their shareholder. This has attracted the potential customer

to pour money in the banks , as there are few sector to make a profitable investment and the investors are always avoid the risk, but lack of sound investment policy is none of the reasons for commercial banks not to utilize properly its deposits in profitable projects.

Shrestha (2000), regarding the investment practices of joint venture banks in Nepal with special reference to Nabil bank limited, Started cherted bank Nepal limited and Nepal SBI bank limited has figured out the problem and conclusion as follows. Commercial banks are more emphasized to be making loans on short term basis against movable merchandise. Commercial banks have a lot of deposit but very little investment opportunity. They are even discouraging people by offering very low interest rate and minimum threshold balances.

Commercial banks invests their funds in limited areas to achieve higher amount of profit. This regarded as a very risky step, which may lead to lose in profit as well as principle. The credit extends by commercial bank to agriculture and industrial sector is not satisfactory to meet the growing need of the present situation. The above study shows that Mr. Shrestha has concluded some confliction statement which is obviously not matching with his statement of problems. His recommendation ignore the industry average and also fail to figure out what is right in the industry like banking along the excess of investment or loans and advances. And he thinks liberal lending policies solve the problem to increase the level of loans and advance.

But somewhere in his recommendation, he has warned commercial banks to increase the level of loan and advance and suggested them to increase the level of investment in government securities or in other safe instrument just to avoid

The risk arising from lending. From this, it can be concluded that Mr. Shrestha has made his entire conclusion absolutely and has not made any relative analysis of the pros and cons of the entire factor affecting his study.

Bhatta (2010) suggests in his dissertation “A comparative study on lending and investment policy of NBBL” that the default of loan in commercial bank is the result various factor affection on it. For example, political and economic situation of the country, lack of necessary skill in appraising project evaluation, lack of entrepreneurship attitude and lack of regular supervision. The project oriented approach has to be encouraged in the leading business in the bank in which security is not necessary .

Pandey (2009), in his thesis on “NRB directives–their implementation and impact on the commercial bank” has put some description on the performance of the joint venture bank. He writes that the NRB directives, if not properly addressed, have potential to week the financial system of the country, as they are the only tools of the NRB to supervision and monitor the financial institution. The directives in themselves are not that important unless properly implemented. The implementation part depends on the commercial banks. So it is felt that there is a need to find out if the directives are being followed.

Shrestha (2007), in his thesis “profitability analysis of standard charter bank Nepal limited” foundout the following:

- ✓ SCBNL has more consistent operating efficiency ratio than Nabil bank limited during the study period
- ✓ Both of the bank data showed that more than 90% of their total liabilities paid interest. These banks shows that the smaller portion of their interest bearing liabilities paid as

interest bearing liabilities paid as interest paid as interest expense.

- ✓ Both banks weighted average cost of deposit ratio was found to be at decreasing rate.
- ✓ Nabil bank had lower EPS than SCBNL, which indicate that the performance of SCBNL was better than nabil bank.
- ✓ Among the total income , more than 75% of the income from interest sector. That indicated th main source o income was interest for both banks.
- ✓ The operating expenses ratio over total expenses comprised of more than 40% for both banks.
- ✓ Nabil bank had fluctuating return on total assets than SCBNL. SCBNL had had higher return on equity than Nabil bank.
- ✓ The total interest income to total earning assets ratio of both the banks were found decreasing over the years, which indicates a negative sign to the bank performance.
- ✓ SCBNL was paying more dividend than Nabil bank limited during the study period.
- ✓ Nabil bank net profit margin ratio was higher than that of SCBNL. Similarly net interest margin of Nabil was higher than that of SCBNL.

2.4 Review of legislative provision

Commercial bank act 2031, commercial banks will help in banking business by opening their branches

In different part of the country under the direction of NRB. The main function of commercial bank established under this act will be to exchange money, to accept deposit and provide loan to commercial and business activities to mobilize bank deposits in different sectors of different parts of the nation to prevent them from the financial problem. The central bank has established a legal framework by formulation of various rules and regulations. These directives must have direct and indirect impact while making decision.

Recently an ordinance to bank and financial institution has been promulgated. The ordinance is popularly called an umbrella act as it repeals and replaces all existing to commercial banks, NIDC, development banks and financial companies and brings institutions. Under the preview of single act. The ordinance is dividend into 12 chapters and contains altogether 93 sections. Loan disbursement and collection procedures are covered under chapter 8.

The central bank has established a legal framework by formulation of various rules and regulations. These directives directly and indirectly affect the decision making. Those rules and regulation which are formulated by NRB in term of investment and credit to priority, deprived sector, other institution, single borrower line. CCR, loan loss provision. Capital adequacy related, interest spread and the productive sector investment. A commercial bank is directly related to the fact like how much be collected as paid up capital in the time of established at certain place of the country. How much money needed to expand the branch and counter, how much flexible and helpful the NRB rules are etc.

CHAPTER 3

RESEARCH METHODOLOGY

Introduction

Research methodology refers to the various steps to be adopted by a researcher in his research problem along with the behind them. Methodology explain the method and steps applied in the research. It depends on various aspects of the research project the object, the objectives and the important of project, time of project, impact in various aspects of human life, and other are the variables that determine the research methodology of the particular project.

The objective of study is to see the relationship between the figure of loan disbursement and repayment analysis the purpose wise, term wise, type wise and region wise loan disbursement and repayment. The analysis of the loan disbursement and repayment following certain research methodology in this chapter shows loan disbursement and repayment of NB bank deals with research design, procedure of data collection, data processing procedure statistical tools used and procedure employed for the study.

3.1 Research Design

Research designed serves as a framework for the study, guiding the research instruments to be utilized, and the sampling plan to be followed. In other word research design describes the general plan for collecting, analyzing and evaluating data. Research design is planned structure and strategy of investigation conceived to obtain answer to research objective through analysis of data. The study is based on primary as well as secondary data. So the descriptive and analytical research designs have been used.

It means defined procedure and technique that guide the study and propounds ways for research viability. The basic elements of a research design are the

problem, the methodology, data gathering data analysis and finally the report writing the research is made to study the loan disbursement and collection of NBBL. For the purpose of the study, it has used descriptive and statistical methods.

It is the fact finding operation researching for adequate information . it is a type of survey study which is generally conducted to assess the behaviors or characteristics of a given population and to describe the situation and events occurring at present testing hypothesis or making prediction.

It is a method which concern with the question of how many items are to be observed and how the information and data gathered are to be analyzed. This process of analysis is adopted to see the trend situation of loan disbursement and collection of NBBL from the year 2008 to 2012 A.D. The statistical tool used in this study is coefficient of correlation.

Coefficient of correlation:

Correlation analysis is defined as the statistical technique which measures the degree and direction of relation between the variable. In other words

3.2 Population and Sample

A small portion chosen from the population for studying its properties is called a sample and the number of units in the sample is known as the sample size. The method of selecting for study a small portion of the population to draw conclusion about characteristics of the population is known as sampling. Sampling may be defined as the selection of part of the population on the basis of which a judgment or inference about the universe is made. Here only 1 sample joint venture commercial bank have been taken out of 31 commercial

banks. All the commercial banks in Nepal are the population of the study. The sample taken from the commercial banks are as follows:

TOTAL BANKS	SAMPLE TAKEN
31 Commercial Banks	Nepal Bangladesh Bank Limited.

3.3 Nature and Sources of Data

The research is based on secondary source of data for research purpose; published financial statements (i.e. Annual report) of concerned banks were collected. Similarly, financial statement of commercial banks and various markets related information were collected and tabulated in spreadsheet. Such secondary information was gathered from the share department of the concerned banks and Security Board of Nepal. In addition, an answer on certain queries made to staffs of concerned organization personal enquires and discussions were also being conducted for clarification and verification of collated data and for recommendation.

Original data which is collected by researcher for the research at first hand. These can generally collect through interview. if referred study make more reliable , it collect through direct interview. With the staff and manager of bank. Besides other kind of sources such as remarks by the specialist of subject, views of persons related to the subjects shall also be considered for the study.

Secondary Data

Secondary data refer to those data which is already gathered by others. Secondary data may be divided into two groups: internal and external. The internal secondary data is found in related institution sources of such data mainly the annual report and internal publication. On the other hand, external secondary data is collected by outsiders of the institution, i.e. book, journal, report and unpublished report.

These data are collected from the following sources.

- Official record, documents and paper.
- Circular of NRB & NB bank.
- Book journal and article.
- Financial statement of the bank.
- Central library.

3.4 Tools use

Correlation coefficient analysis:

The analysis identifies and interprets the relationship between the two or more variables. Karl-Person's Correlation Coefficient has been used to find out relationship between the variables in order to know the effect in one variable may have effect in the correlated variable. In our study relationship between the various variables. It is calculated by:

$$r = \frac{n \sum xy - \sum x \cdot \sum y}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$$

Where,

r = Correlation coefficient

n = Number of years

$\sum x$ = Sum of X series

$\sum y$ = Sum of Y series

$\sum xy$ = Sum of X and Y series

$\sum x^2$ = Sum of square of X series

$\sum y^2$ = Sum of square of Y series

x & y = Financial Variable of joint venture banks.

Correlation analysis describes the relationship between variables i.e. positive or negative. It helps to determine the following:

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

The statement tool- correlation analysis is used in the study to measure the relationship between variables in determining within the relationship is significant or not. For the purpose decision making interpretation are based on the following terms.

1. When, $r = 1$, then is perfect positive correlation.
2. When $r = -1$, then is perfect negative correlation.
3. When $r = 0$, then is no correlation.
4. When, 'r' lies between 0.7 to 0.999 (-0.7 to -0.999), then is high degree of positive (negative) correlation.
5. When 'r' lies between 0.5 to 0.6999 there is moderate degree of correlation.
6. When, 'r' is less than 0.5. There is low degree of correlation.

$$\text{Probable Error or } \frac{\text{P.E (r)}}{\sqrt{N}} = 0.6745 (1-r^2)$$

To meet the objectives of the study, the sources of secondary data of commercial bank are analyzed by using financial tools such as ratio analysis. Simple descriptive analysis tools such as frequency, Mean, standard deviations are used. The ratio analysis involves comparison for a useful interpretation of financial statements. The quantities judgment regarding loan management of a firm can be done with the help of rate analysis. For the analysis of the data the financial and statistical tools relevant to the topic are used.

The statement tool- correlation analysis is used in the study to measure the relationship between variables in determining within the relationship is significant or not. For the purpose decision making interpretation are based on the following terms.

7. When, $r = 1$, then is perfect positive correlation.
8. When $r = -1$, then is perfect negative correlation.
9. When $r = 0$, then is no correlation.
10. When, 'r' lies between 0.7 to 0.999 (-0.7 to -0.999), then is high degree of positive (negative) correlation.
11. When 'r' lies between 0.5 to 0.6999 there is moderate degree of correlation.
12. When, 'r' is less than 0.5. There is low degree of correlation.

$$\text{Probable Error or } \frac{\text{P.E (r)}}{\sqrt{N}} = 0.6745 (1-r^2)$$

3.5 Data collection procedure

Data collection mainly depend the field visit to the bank head office. Supplementary data information are collected from number of intuitions and authorities like NRB, National planning commission libraries other data collected from economic journals, magazines , news papers etc.

3.6 Method of data analysis and presentation

After collecting of data it must be use right method of analysis and right way to presentation. Otherwise it is not meaning of collecting the data. It is loss time as well as money. The purpose of data analysis statistical tools is used to make the analysis more effective conversion, reliable and authentic to evaluate the financial condition and performance of the company. The financial analysis needs certain yardsticks. The yardsticks frequently used are percentage, trend analysis etc.

Use the trend analysis trend situation of loan disbursement and collection as well as factor affecting these. It shows increase and decrease or fluctuation of variable over the given period.

Table presentation of data shows in row and column. The table presentation concerned with labeling techniques to make the content clear. If the data display in table from, it becomes easier for its analysis. It make comparative study of two or more variable. It usually includes graphs and charts. This presentations help clarify know the data.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is main part of this study. The matter that is deals with in this chapter related exclusively to the loan disbursement and collection pattern of Nepal Bangladesh bank. On the basis of several data regarding NB bank loan disbursement and deposit collection. Sources of secondary data are the annual reports of the bank, NRB publications, books and journals. Other sources such a remarks by the specialist of the subject.

For the purpose of analysis data has been presented in the from of table, charts and bar diagram. Data presentation and analysis is done fulfill the objectives of the study. the objective s of the study are to analysis the trend of every year's deposit collection to measure the total disbursed out of the total deposit collection. This chapter by displaying data is conceivable form sets a base for drawing conclusion and making recommendation.

4.2 Deposits of NB bank

Bank collects the scattered funds from the people in the form of deposits and mobilizes the deposit thus collected by lending it to different sectors. The volume of credit extension depends much upon the deposit base of a bank beside other factors. The deposits collected by NB bank can be divided as current, saving, fixed and call and other deposit. As the credit disbursement is affected by the deposit collected, it is relevant to present total deposit and the trend of NB bank. The deposit collected by the bank in 5 years (2007-2011) is presented in the table below:

Table:3 Deposit collection by NB bank

(in millions)

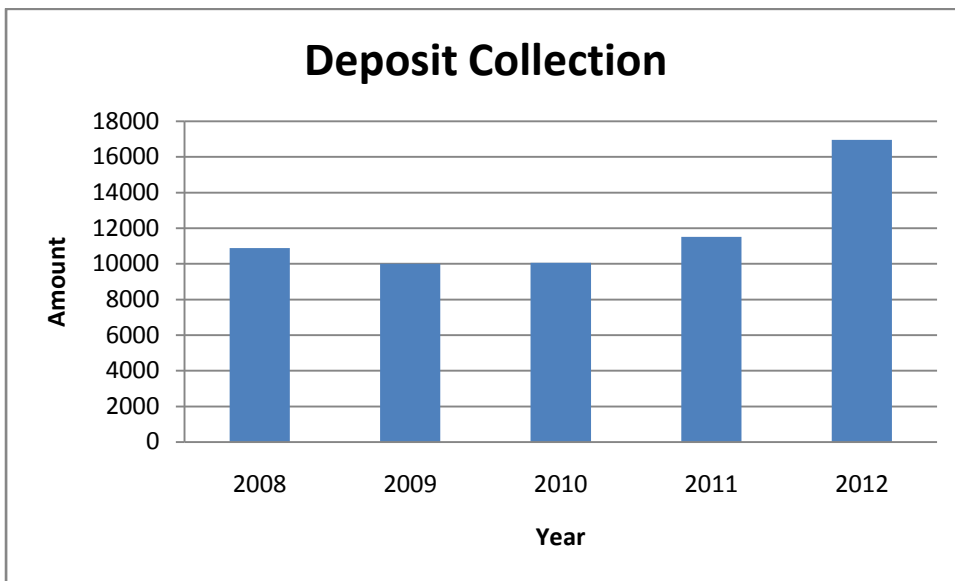
Year	Deposit Collection	Increasing or Decreasing	% of Increasing or Decreasing
2008	10883.6	-	-
2009	9997.7	(885.9)	-8.13%
2010	10052	54.3	0.54%
2011	11511.7	1459.7	14.52%
2012	16952.7	5441	47.26%

Source:www.nbbl.com.np

The above table shows the deposit collected by bank from fiscal year in 2008 the amount collected was Rs.10883.6 million while in 2009 it was Rs.9997.7 million, in the decrease in amount of deposit collection was Rs.885.9 millions and decrease percentage was -8.13%. In year 2010 the amount collected by bank was Rs.10052 million the collection was more than previous year by Rs.54.3 million the percentage increase in deposit that year was Rs.54%. The fiscal year 2011 deposit amounting to Rs.11511.7 million was collected. The amount was more by Rs.1459.7 million than 2010. The percent increased was Rs.14.52%. in the same way in 2012 deposit collected by Rs.16952.7 million, it was more Rs.5441 million than 2011 in percentage increased was Rs.47.26% .

Comparatively fiscal year 2009 was very bad year in collection of deposit. in this year bank's deposit % decrease by 8.13% and than other years deposit collection is increasing way. In 2010 increase by Rs.54%, in 2010 increased by 14.26% and in 2011 increased by 47.26 by referring the data bank deposit collection increase day by day.

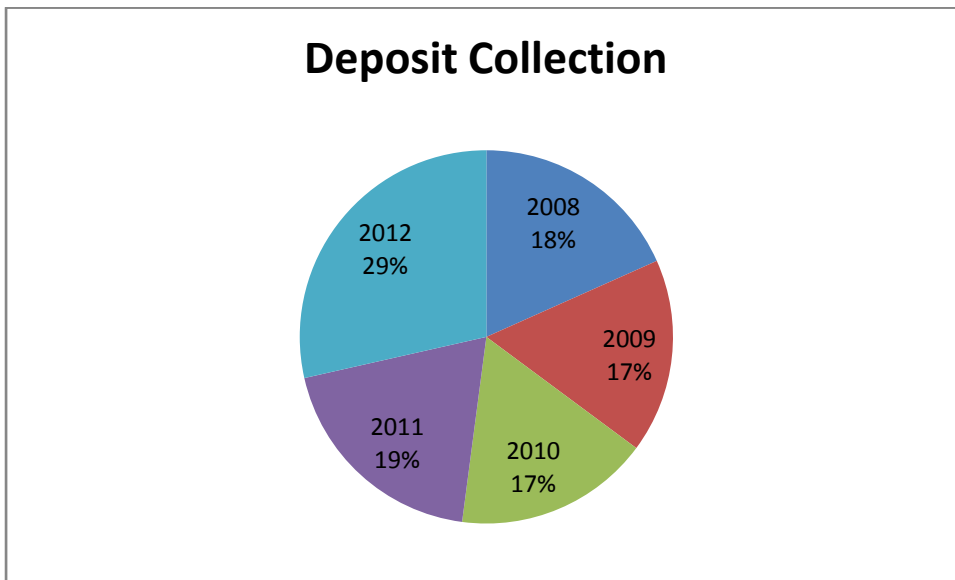
Figure:1



From the above bar diagram, for initial year of my study deposit collection of NB bank was 10883.6 million in the years 2008 & 2009 it was shows continuously but in slow range decreases but in the year of 2010& 2011 it was increasing way. Comparatively, year 2011 is the highest deposit collection than other years, which is shown in the above bar diagram.

Figure 2

Pie Chart



Above pie chart shows the five years deposit collection of NB Bank from the year of 2008 A.D. to 2012 A.D. From pie chart lowest deposit collection year was 2009 where only 17% of the total deposit and the highest deposit collection was in 2012 where 29% of the total deposit. In the year 2008, 2010 & 2011 was 18%, 17%, 19% respectively.

4.2.1 Types of Deposit

The types of deposit collection also the significance in the study of the deposit collection of this bank. The following table shows the types of deposit of NB bank.

Table:4 Types of deposit collection by NB Bank

(In millions)

Year	Current Deposit	Saving Deposit	Fixed Deposit	Call Deposit	Other Deposit
2008	2176.720	2176.720	4135.654	1414.868	435.344
2009	1899.563	2099.517	4698.919	999.770	299.910
2010	2010.400	2010.400	4824.960	804.160	402.080
2011	2647.691	2417.457	5180.265	1036.053	230.234
2012	2877.925	2672.106	4834.914	1266.287	460.468

Above the table shows the various types of deposits of NB bank. Current, saving, fixed, call, and other deposits. Here we can see that more amounts collected in each of these accounts some time increase and amount time decrease.

In the year 2008 current account shows Rs.2176.72 million collected. In the year 2009 current deposit was 1899.563 million and decrease by 277.157 million. It was decrease by Rs.12.73% in the year 2010 current deposit was 2010.4 millions, it was increase by 110.837 millions in percentage increase was 5.83%. in the year 2011 current deposit was 2647.691 it was increase by 637.291 million in percentage increase was 31.691%. In the year 2012 current deposit was 2877.925 million. In amount it was increase by 230.234 in percent increase was 8.69%.

In the year 2008 saving deposit was 2176.72 million. In 2009 saving deposit was 2099.517 million it was decreased by 77.203 million in percentage decrease was 3.54% in the year 2010 saving deposit was 2010.4 million it is also decrease in amount by 89.117 million in decrease percentage 4.24%. Year saving deposit 2417.457 million it is higher amount by 407.057 millions,

percentage increase 20.24% with respect to 2011. In year 2012 their saving deposit is 2672.106 millions it is greater amount by Rs.255.049 millions also percentage increase 10.55% with respect to 2011.

Similarly trend is observed in case of fixed deposit account of NB bank. In first year 2008 NB bank fixed deposit is 4135.654 millions. In year 2009, 4698.0919 million. Increase by 563.265, in percentage increase 13.61%. in year 2010 fixed deposit is 4824.96 million increase by Rs. 126.041 million. Percent increase by 2.68%. in year 2011 fixed deposit is 5180.265 million it is increase by 355.305 million, percentage increase 7.36% in last year 2012 deposit collection is 4834.914 it is less amount than 2011 by 345.351 million decrease percentage is 6.66%.

In year 2008 call deposit is 1414.868 million. Year 2009 it 999.77 million in 2009 call deposit decrease by Rs. 415.098 million in percentage decrease was 29.33% in year 2010 call deposit was 804.16 it is decrease by Rs. 195.61 million in percentage decrease was 19.56%. in year 2011 call deposit slowly increase and reach Rs. 1036.053, it is greater than 2010 by Rs.231.893 million it is percentage increase by 28.83% in year 2012 call deposit is Rs 12666.287 million , similarly it is also increase by 230.234 million. In percentage increase is 22.22%.

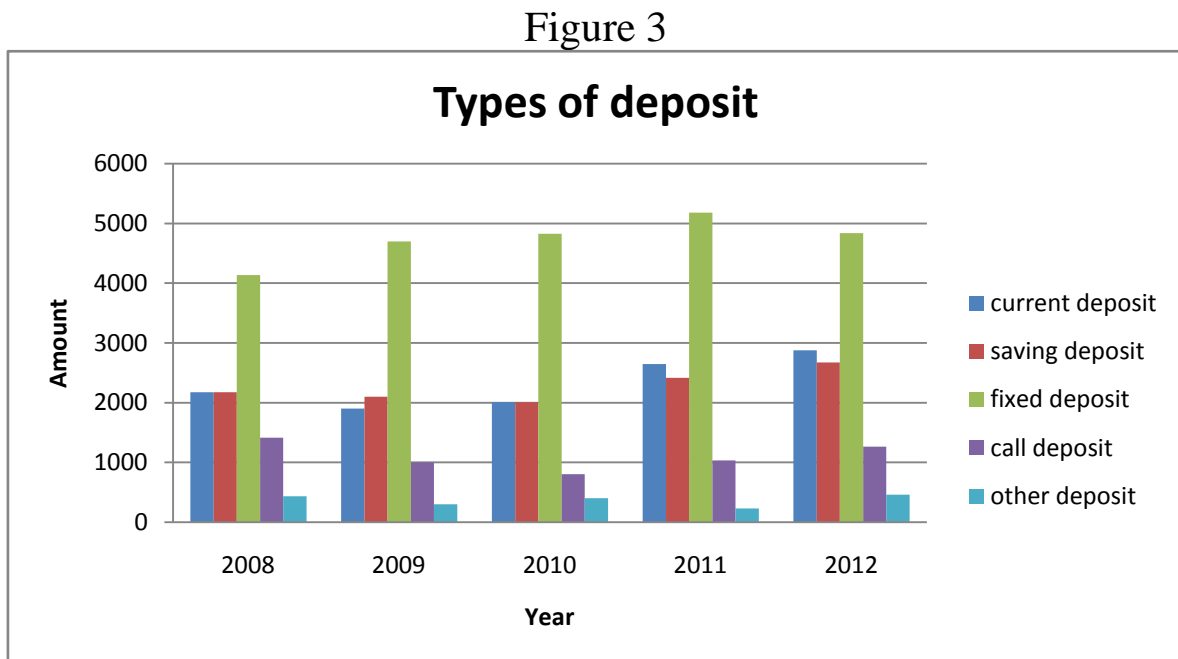
Other deposit also include here in year 2008, 435.344 million in 2009 299.91 million in year 2010 402.08 million in 2011, 230.234 million in last year 2012 other deposit is 460.468 million collected by NB bank.

(In millions)

	2008	2009	2010	2011	2012
Current Deposit	2176.7	1899.6	2010.4	2647.69	2877.9
Saving Deposit	2176.7	2099.5	2010.4	2417.46	2672.1
Fixed Deposit	4135.7	4698.9	4824.96	5180.27	4834.9
Call Deposit	1414.9	999.77	804.16	1036.05	1266.3
Other Deposit	435.34	299.91	402.08	230.234	460.47

Source:www.nbbl.com.np

The above table it is also shown in the multiple bar diagram.



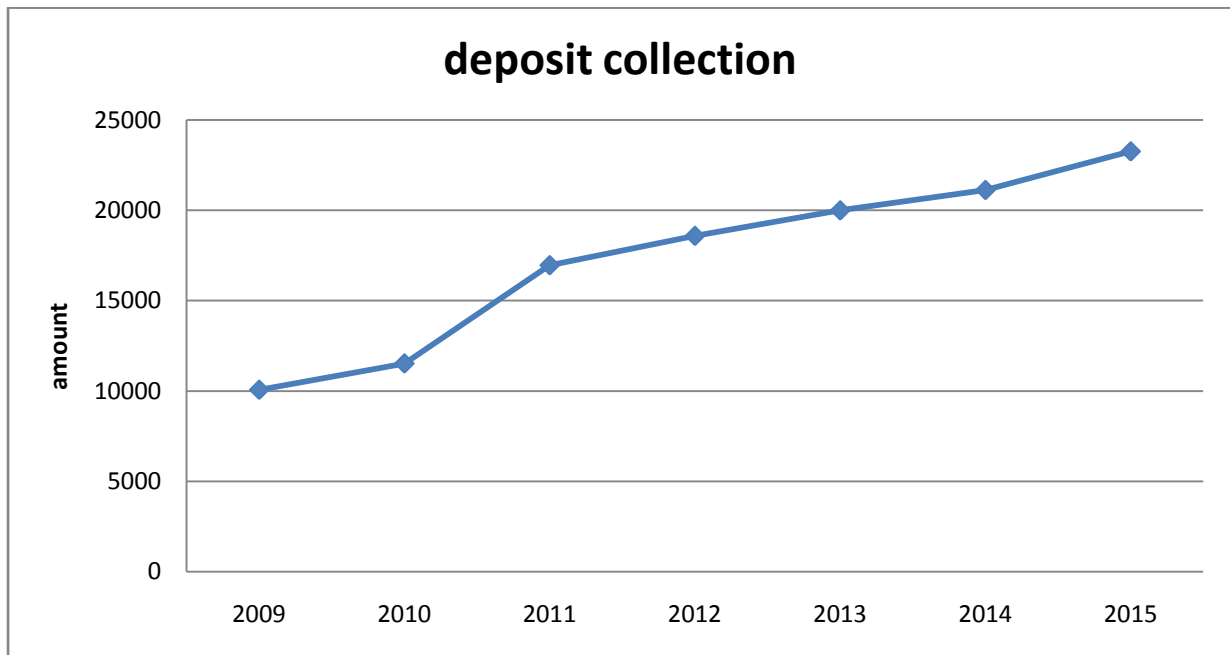
In above multi bar diagram show five types of account like current, saving, fixed, call and other accounts. In all five years data the fixed deposit was higher than other account. However the other account always lowers than other, in researcher first year data shows current account 2176.7 millions, saving account 2176.7 million, fixed was 4135.7 million likewise call account 2176.7 million, and other account 435.34 million. Here in the diagrams we can

all accounts increasing or decreasing rate approximately same other years. Last year of study there current 2877.9 million, saving 2672.1 million fixed 4834.9 million, call1266.3 million and other 460.47 million.

4.2.2 Trend of Deposit Collection

The trend of total deposit in the coming years is analyzed using the trend analysis. The following trend line shows the projection of total deposit of NB bank up to 2015.

Figure 4



The above figure shows that the deposit collected by the NB bank is in increasing trend if other thing remains constant. According to the trend forecast, the deposit in year 2013 it will be 19987 million and likewise the deposit in year 2014 it predicted to be Rs.21114 million and that in a year2015will be Rs.23256 million.

4.3 Loan disbursement of NB bank

Various types of loan are made available by NB BANK. These include term loan, demand loan, cash credit, overdraft, trust receipt loan, priority and deprived sector loan, pre-shipment and post-shipment loan, hire purchase loan, housing loan, education loan etc.

Before granting loan all four C's of credit are investigated by the bank. The character, capacity, collateral and capital of the borrower are examined and then only the decision to grant loan is taken. The lending function is performed by the bank taking in to account the factors like safety, liquidity and profitability and striking a balance among these. The lending policy of the bank includes grouping of the borrowers in to two categories.

Other steps taken for loan disbursement and collection are general and similar to those adopted by most of commercial banks in Nepal. The total loan disbursement of NB bank for 5 years (2008-2012) is presented in the table below.

Table: 4 Loan disbursements by NB bank

(in millions)

Year	Loan Disbursement	Increase or Decrease	% of Increase or Decrease
2008	9469.632	-	-
2009	9130.506	-339.126	-3.58%
2010	9119.093	-11.413	-1.249%
2011	10237.455	1118.362	12.26%
2012	10943.161	705.711	6.89%

Source: www.nbbl.com.np

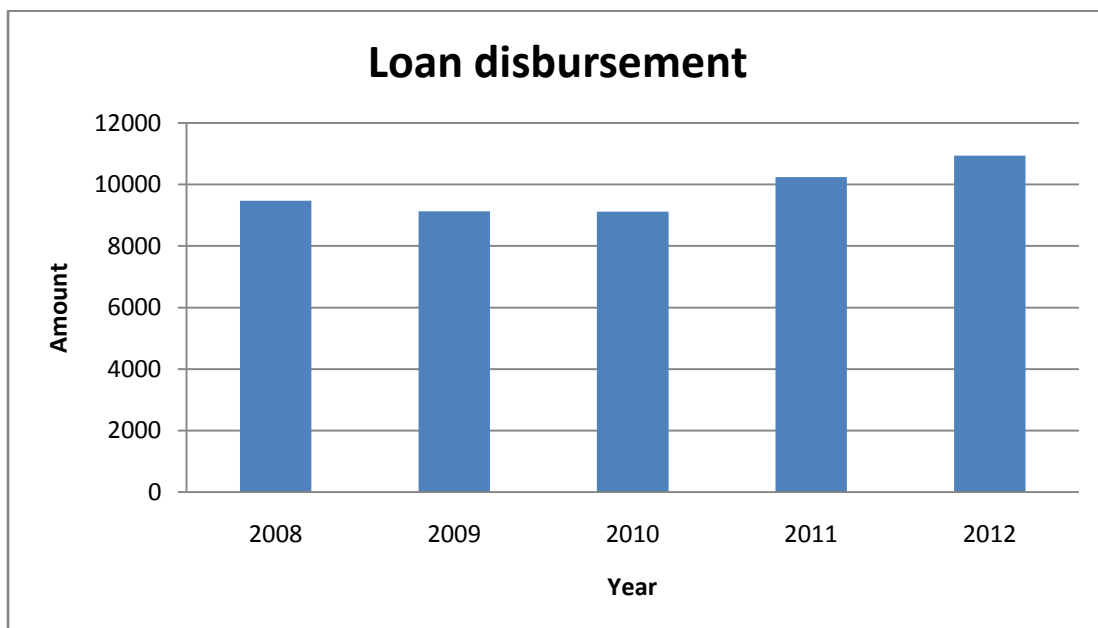
The above table shows the trend of loan disbursement of NB bank. In each financial year since 2008 the amount disbursed has first two years decrease due to bad management and last two years increasing.

Loan disbursed in 2008 was Rs.9469.632 millions; in 2009 it was Rs.9130.506 million. In 2009 loan disbursement decreased by 339.126 million, percentage decreased by 3.58%. Same way year 2010 loan disbursement was Rs.9119.093 million it was also decrease by 11.413millions, with respect to 2009 percent decrease was 1.249% in year 2011 loan disbursed was Rs.10237.455 million it was increase by 1118.362 million, percentage increase was 12.26%, based on year 2010. Last year of researcher' study loan disbursement Rs.10943.161 million it is also increased by Rs. 705.711 million percent increase is 6.89%.

In above study year 2009 & 2010 loan disbursement was decrease by 3.58% and 1.249% respectively and last 2 years 2011 & 2012, loan disbursement was increased by 12.26% & 6.89% respectively.

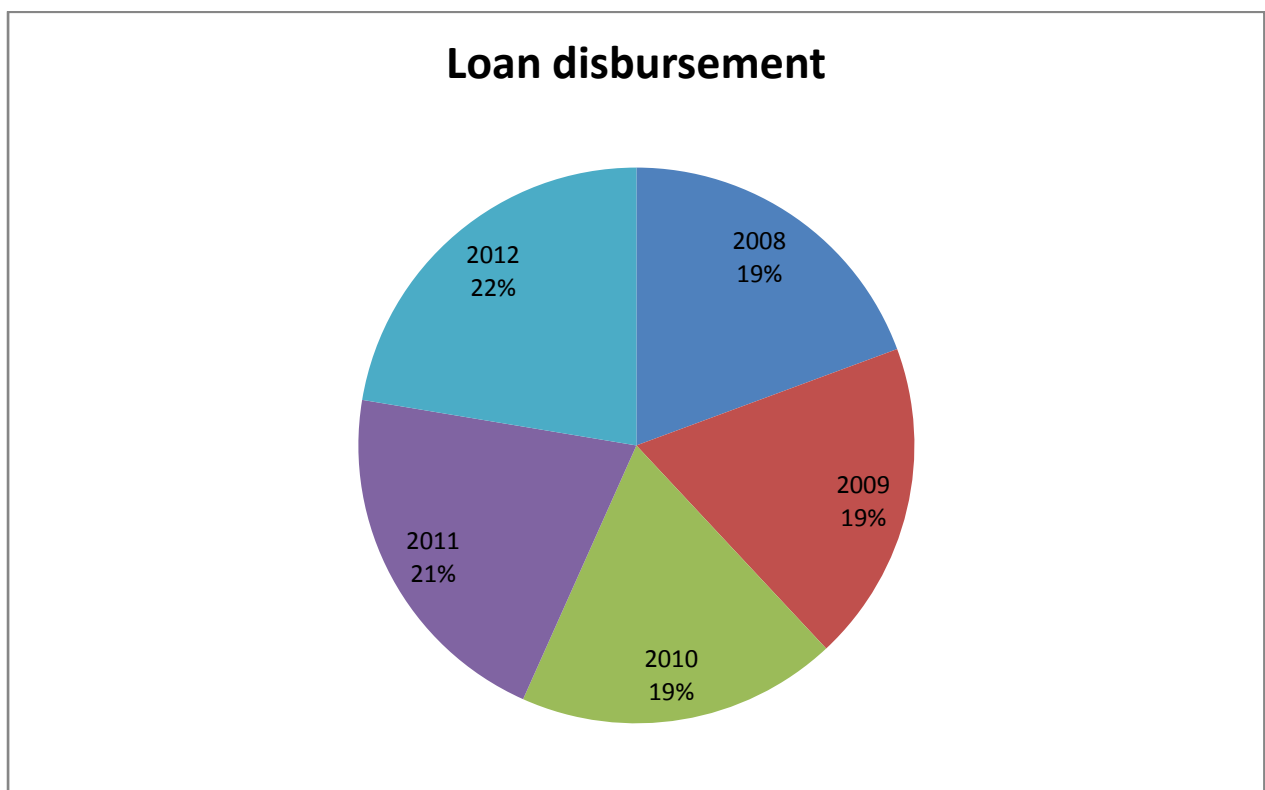
Bar Diagram

Figure 5



From the above bar diagram, for initial year of my study loan disburse me of NB bank was 9469.632 million. In the years 2009 & 2010 it was shows continuously but in slow range decreases but in the year of 2011& 2012 it was increasing way. Comparatively, year 2012 is the highest loan disbursement than other years, which is shown in the above bar diagram.

Figure 6

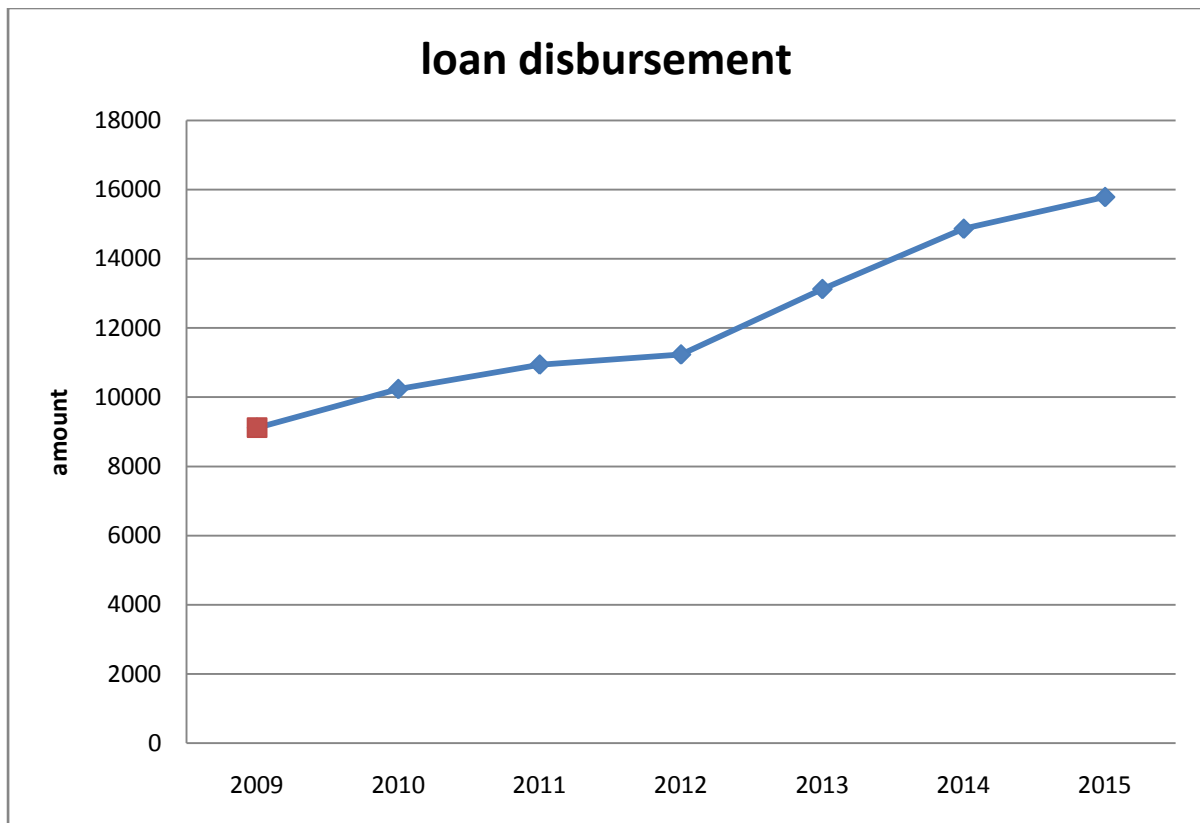


Above pie chart shows the five years loan disbursement of NB Bank from the year of 2008 A.D. to 2012 A.D. From pie chart lowest loan disbursement year was 2010 where only 19% of the total loan disbursement and the highest loan disbursement was in 2012 where 22% of the total loan disbursement. In the year 2008, 2009 & 2011 was 19%, 19%, 21% respectively.

4.3.1 Trend of loan disbursement

The trend forecast of the total amount of loan disbursement every year has been made by using trend analysis technique. The following trend line shows the projection of total loan disbursement of NB bank up to the year 2015. The calculation of trend forecast has been presented.

Figure 7



This shows that the loan disbursement of the bank is in increasing trend if other things remain constant. The loan disbursement in the year 2013, 2014 & 2015 as per the trend forecasted, will be 11235 million, 13125 million, 14867 million & 15784 million respectively.

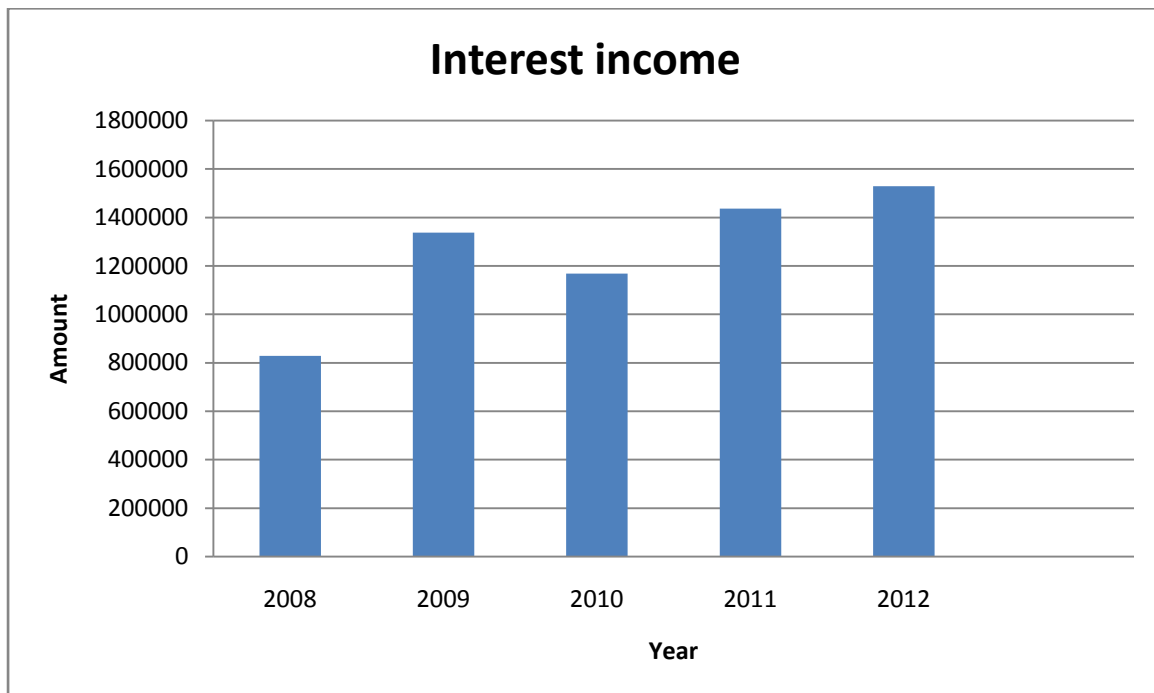
4.4 Interest Income

Table:6 Interest income of NB bank

(In thousands)

year	Interest income
2008	828276
2009	1337112
2010	1167628
2011	1436676
2012	1529045

Figure 8



4.5 Net profit before bonus and tax

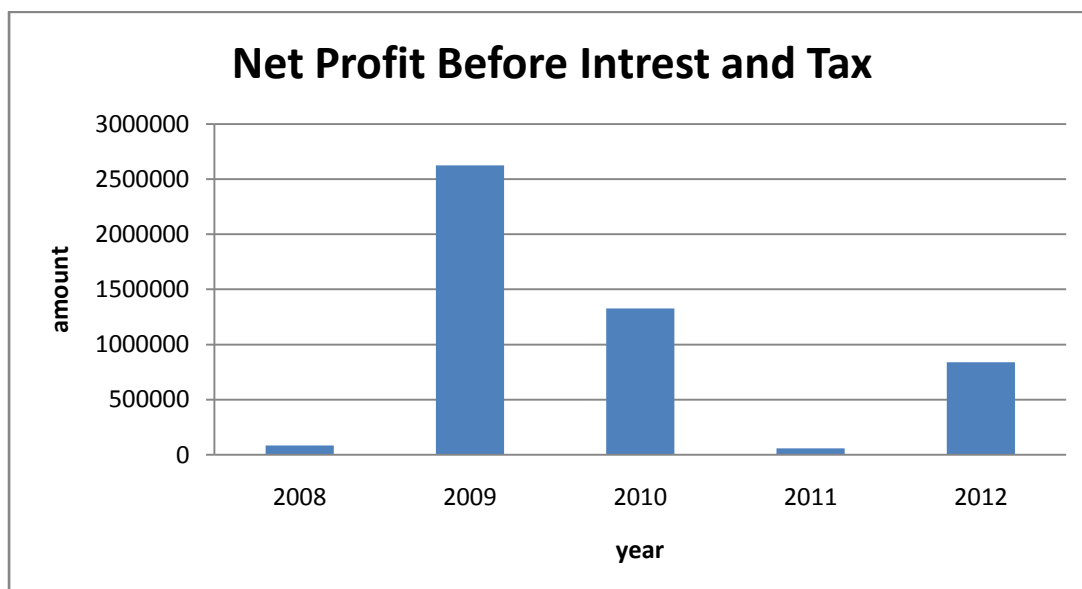
Table 6: Net profit before bonus and tax of NB bank

(In thousands)

Year	Net profit before interest and tax
2008	838179
2009	2624106
2010	1326128
2011	56981
2012	1023706

Source: www.nbbl.com.np

Figure 9



4.6 percent change in deposit collection and loan disbursement

Always loan disbursement is made out of the deposit collected. So usually the amount disbursed is proportion to the deposit collection. In order to find out whether loan disbursed has been affected by the change of deposit collection, here percent change in deposit collection and percent change in loan disbursement have been studied. This has been presented in the table below.

Table:8 Percent change in deposit and disbursement

Year	% Change in Deposit Collection Client	% Change in Loan Disbursement
2008	-	-
2009	-8.13%	-3.58%
2010	0.54%	-1.249%
2011	14.52%	12.26%
2012	47.26%	6.89%

4.7 Comparative study of loan disbursement and collection of NB bank

Loan collection is related with loan disbursement. The amount of loan recovery should be according to the loan disbursed. In the following table it has been tried to study the loan disbursement and collection of NB bank. it shows comparatively in the table below.

Table:9 Comparative study in disbursement and collection

(amount in million)

Year	Amount of Loan Disbursement	%change in Amount of Loan Disbursement	Amount of Loan Recovered	% Change in Amount of Loan Recovered
2008	9469.632	-	8314.652	-
2009	9130.306	-3.58%	8002.564	-3.570%
2010	9119.093	-1.249%	8012.501	0.124%
2011	1027.455	12.26%	8854.123	10.509%
2012	10943.161	6.89%	9387.154	6.019%

The loan given and loan collection can be compared from the above table. It has been related that the loan in each year from 2008 to 2012.

4.8 Loan disbursement to deposit collection

To calculate the lending performance of bank, it is most important things to know how much amount is disbursement out of total deposit collection. Loan disbursement to deposit collection of NB bank has been presented.

Table: 10 loan disbursement to deposit collection

(Amount in millions)

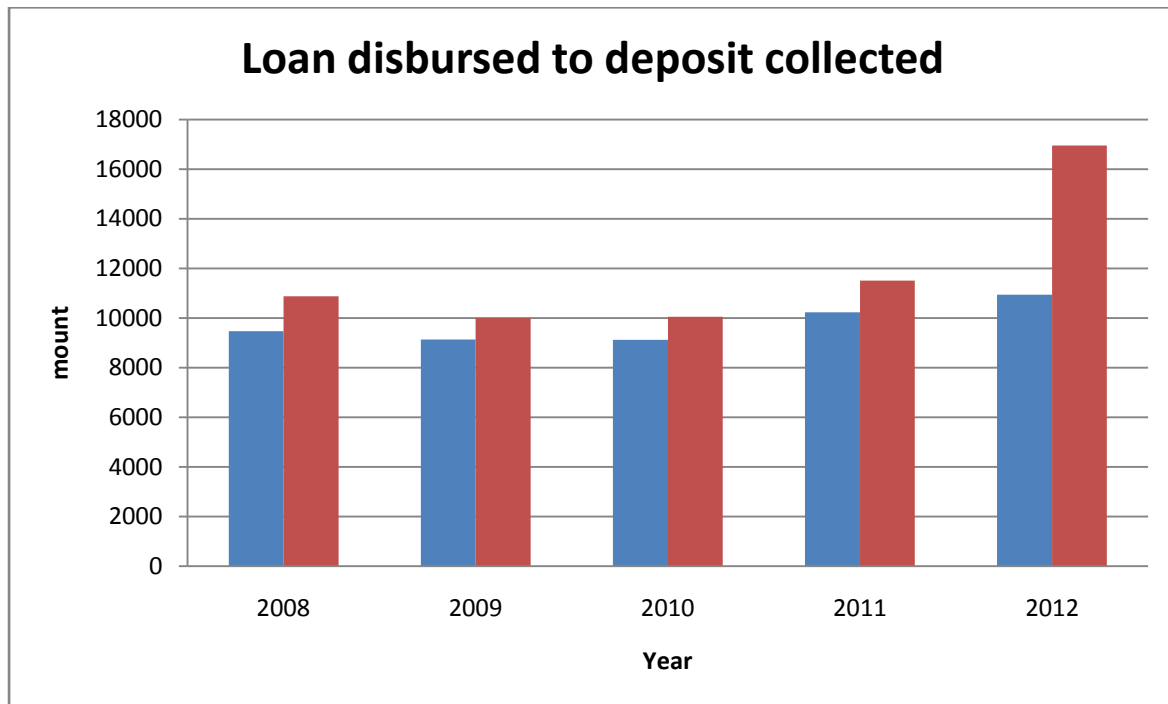
Year	Amount of loan disbursement	Amount of deposit collection	% of loan disbursement with respect to deposit collection
2008	9469.632	10883.6	87.01
2009	9130.506	9997.7	91.32
2010	9119.093	10052	90.71
2011	10237.455	11511.7	88.93
2012	10943.161	16952.7	64.55

Source:www.nbbl.com.np

Table 10 shows the amount of loan disbursement in comparison to the amount of deposit collection. In year 2008 the amount of deposit collected was Rs.10883.6 millions out of that 9469.632 million give as loan. It turn out to be 87.01% the deposit collection in 2009 loan disbursement Rs. 9130.506 millions which was 91.32% out of deposit collection Rs. 9997.7 million. In year 2010,2011,2012 loan disbursed percentage 90.71%, 88.93% and 64.55% respectively. This data shows the significant amount has been distributed.

The above table also presented in multiple bar diagram.

Figure:10



4.9 Coefficient of correlation between loan collection and loan disbursement.

In order to find out whether loan disbursed has been significantly recovered or not this method of analysis is adopted. The relationship between the variables: loan disbursement and loan collection is found out by calculating the coefficient of correlation between two variables. In this calculation, loan disbursement is independent variable (X) and loan collection is depended variable (Y). The table below shows the relationship between X and Y.

Table:9 Coefficient of correlation

Coefficient of Correlation(r)	r^2	Probability Error (P.E)	6P.E
0.9045	0.8145	0.051	0.306

Table- ... shows that the coefficient of correlation between disbursement and deposit collection is 0.9045 which shows positive relationship between these two variables. It also shows that there i.e. optimum collection of loan disbursed by the bank . the coefficient of determination (r^2) is 0.8145 which is shows as 81.45% of the depend variable i.e. loan collected has been explained by the independent variable.

4.10 Types of loan disbursement by NB Bank

Different types of credit facilities in NB bank, these include term loan, payment against document, trust received loan ,advance on priority and deprived sector, overdraft export cash credit and other, others means advance to priority and deprived sector, loan for specific purpose like hire purpose loan , housing loan education loan rehabilitation loan and etc.

Term loan is money lent to the borrowers in a lump sum. This loan is generally granted for long period to financial fixed assets and is repayable on installment over the period of loan. In letter of credit transaction, when the document arrives at the bank. Generally the L/C opening bank should make the payment of the value to the reimbursing bank. In this situation bank makes payment by booking the loan. This types of loan called payment against document.

Overdraft is an agreement by which bank allows the customers to draw over and above current amount bank balance. Where cash credit is similar to the

overdraft loan in this case borrower may operate the account with stipulate limit.

Demand loan is short term loan non revolving credit: trust receipt or TR loan is a major loan in import financing. If the payment of the import L/C

4.11 Loan Loss Provision of NB Bank

Loss of loan occurs when debtor fail to pay their loan. Loan loss not only the default of the debtors but it is also because of the failure of loan recovery by the bank. Greater loan loss provision is made by the bank if high loss is expected. It will low profit that's why loan loss provision show how efficiency the bank manager manage how much does it endeavor for the timely recovery of loan . it seems relevant to compare the amount provision for loan loss .

Table:10 Loan loss provision

(amount in millions)

Year	Total Loan Disbursed	Loan Loss Provision	% of Loan Loss Provision
2008	9469.632	402.459	2.25
2009	9130.506	388.046	2.5
2010	9119.093	455.954	3
2011	10237.455	527.228	3.15
2012	10943.161	574.515	3.25

The loan loss provision percentage of NB bank from the year 2008 to 2012 is 2.25%,2.5%,3%,3.15%&3.25% respectively. This show a fluctuation trend of loan loss ratio.

4.12 Securities needed for Borrowing from NB Bank

Securities may be collateral of fixed assets like land, building, plant, etc or stock are needed for securities. In case of NB bank, focus is given to the urban area. The legal formalities needed before the sanction of loan are obtained in accordance to the nature of securities and loan. The major types of securities are movable and immovable securities. Immovable securities are fixed assets. The way of charging according to the types of securities is different. In case of mortgage immovable securities are taken as by way of mortgage. Securities of the borrowers play a significant role in aiding the loan officials to make decision regarding credit extension. The nature of the securities also helps in identifying the borrower's capacity.

4.13 The major finding of the study are follows:

- There are twenty one branches, twenty six ATMs and four branches less banking till date. These branches are in operating covering all development regions of the country. This shows that the bank has made its roots stronger within a short period of time.
- NB bank most of all branches are situated at the urban areas of the country. According to the information providing verbally by a loan officials of this bank. The collateral of land and building as security for loan should be within the urban area near the bank. Most of the branches of NB bank are in urban area and bank seeks for the collateral

at or near urban area. It means most of the people far from banking because of they are live in rural area.

- The deposit collection and loan disbursement increase or decrease irrespective of the increase of interest rate as it has been analyzed by the comparative study of the rate of interest and the amount of deposit collected and loan disbursed.
- The deposit collected by bank during the five years period is increasing trend after 2009. in 2008 there was poor collation because of some reason .it means deposit trend is fluctuating. The highest deposit collection is in the year 2012 i.e. by 47.26% increase in the base of 2011, similarly, the lowest deposit collection is in the 2009 i.e.8.14% decrease on the base of 2008. Deposit collection increase day by day but percent increment is fluctuating.
- NB bank loan disbursement pattern is also fluctuating. In year 2009 and 2010 are decrease by 3.58%,1.249%.then 2011 loan disbursement percent was increase by 12.26% than increase by 6.89% it means year 2011 was good year for deposit collection and loan disbursement .
- The NB bank's deposit collection and loan disbursement is also affected by factors, they are poor economic state of the country with less investment opportunities and the government rules and regulation or the increment of loan loss provision.
- The NB bank has followed NRB directives and lent almost 12% each year in priority and deprived sectors. Loan loss provision, single borrower credit limit and interest spread of the bank is as per NRB directives. The average interest spread during the five years period of study is around 4%.
- The NB bank disburses highest amount of overdraft loan because of non specific nature of overdraft loan. Term loan also given out in large

amount but the specialized loan such as housing loan. Hire purchase loan and education loan disbursed low amount. These particular loans are meant for a particular group of people according to the types of such loan.

- The amount of loan recovered every year has increased with subsequent year but the percent increase does not follow the same increasing trend, rather it is fluctuating. In loan recovery also, the highest percentage increasing is in 2011.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Management of loan is the most important of commercial banking; consequently the formulation and implementation of lending policies are among the most important responsibilities of directors and management. Well conceived lending policies and careful lending practices are essential if a bank is to perform its credit. Loan management effects on the company's profitability and liquidity so it is one of the crucial decisions for the commercial banks.

The need of financial resources in a developing country like Nepal is essential for the economic development of country. All the sectors from industrial and commercial to agriculture and infrastructure are in need of finding. Although the growths of industrial loan has not been encouraged in the recent years. There is sizable growth in the commercial and other short term credits. Commercial banks are focusing loans on consumer loans like housing, vehicle, education loan etc. it is encouraging to explore new sector for loan management but it should also be considered that industrial loan should be given prime importance as the economy largely depends on this sector.

Lending policies are not systematic and no clear cut vision of policy is available on lending aspect. In Nepal it has been found that on approval and lending decisions are made flexible to favor to personnel networks also. A new customer finds that loan providing process being very complicated and sometimes the documents submitted for loan sanctioning being fraudulent and for formality purpose only. In this perspective the study deals with the issues: a) how effectively is the lending policy of selected sample bank is being

followed? b) Whether the trend of the deposit and loans of the commercial banks are satisfactory? c) How the sample banks measures the liquidity position and impact of deposit on liquidity? d) What is the portion of lending between consumer and industrial loan? And e) How the bank measure the lending performance in quality, efficiency and contribution of profitability?

The main objective of the study is to analyze the loan management policy adopted by the sample banks. However, the specific objectives are: a) to analyze the effectiveness of lending policy of the selected sample banks. b) To measure the performance in quality, efficiency and contribution of profitability. c) To examine the trend of deposit and loans of commercial bank. d) to study the liquidity position. The impact of deposit on liquidity and its effect on lending performance, and e) To provide suggestion and recommendation for the proper loan system.

Sampling may be defined as the selection of part of the population on the basis of which a judgment or inference about the universe is made. Here only 1 sample joint venture commercial banks have been taken out of 31 commercial banks. All the commercial banks in Nepal are the population of the study. The sample taken from the commercial bank is NB bank.

The research is based on secondary source of data. For research purpose published financial statement (i.e. Annual report) or concerned bank were collected. Similarly, financial statement of selected commercial banks and various markets related information were collected. The factors derived from previous research findings on related area are to support loan management. In addition, an answer on certain queries made to staffs of concerned for clarification personal requires and discussions were also being conducted for clarification and verification of collected data and for recommendation. The

annual reports of the concerned bank is the major sources of the data for the study.

To meet the objectives of the study, the sources of secondary data of commercial bank is analyzed for analysis and interpretation of the data. The data used in this research is mainly secondary nature and extracted from the annual reports of the concerned bank and website of Nepal Stock Exchange. The financial statements of five years (2007 to 2011) were selected for the study purpose.

Lending is one of the most important functions of a commercial bank and the composition of loans and advances directly affects the performance and profitability of the bank. There is intense competition in banking business with limited market and less investment opportunities as available. A study on the deposit position, loan disbursement and pattern, correlation coefficient.

5.2 Conclusions

The deposit are being mobilized and in the income generating sector. There is fluctuating trend. Here deposit collection and loan disbursement trend refers that deposit is not idle and there is maximum utilization of the funds in this year. In year 2011 is much better bank successfully collected, last three year deposit collection is going to upward it is the green signal likewise last 3 years loan disbursement is also better.

Interest income to total income ratio of NB bank over the study period is not satisfactory.

The correlation analysis shows that the correlation coefficient 'r' between loan collection and loans disbursement of bank is high degree of positive correlation. The correlation has significant relationship between collection and

disbursement and the bank is mobilizing the deposit as loans and advances successfully. Similarly the analysis shows high degree positive correlation of bank between investments and loans and advances

The overall performance of NB is satisfactory. The liquidity position of NBBL is better. As loans and advances of NB bank is increasing trend deposit is also increasing trend during the study period. There is increasing trend in profit of NBBL shows that improvement in performance and success of the firm. Purposewise loan classification show that the bank have given priority to industrial and commercial sector lending, as well as priority and deprived sector lending.

The bank has good lending procedure, preliminary screening is done of all the loan application, credit appraisal and financial position of the business and cash flows of the proposal is given high importance, which is essential criterion for loan approval. There is proper control mechanism like delegation of authority, follow up visits and books of accounts inspection of the client, which results in good performance of the bank. The banks follow NRB guidelines of loans classification and provisioning which makes strong financial position of the comparatively study of holding high volume of non-performing assets.

5.3 Recommendations

Based on above findings and conclusion the following recommendations have been made.

1. The liquidity position of these NB banks is found to be high, they are recommended to look upon the new area of lending and investment. The rural economy has always been realizing the credit needs: the

dominancy of non-organized moneylender. In this area has been prevailing. To compromise between the liquidity and credit need of rural economy, these banks are highly fund in business and the same time contributes to the national economy also.

2. The ratio of loans and advances and investment to total deposit of NB bank is the lowest and this has result in the highest ratio of interest expenses to total deposit. At the same time total deposit to total fund utilized is below the average and there is high propensity of growth in deposit as compare to loans and advances. Hence these banks suggested reducing the interest rate. Consequently the volume of interest bearing deposit in its deposit mix reduces: increase the gap between consequent assets the liquidity arising from high prosperity of deposit so recommended to give more priority on productive and priority sector loan
3. The interest income to interest expenses ratio, the interest gap in NB is highly and low interest offering. This ratio has clearly indication that the bank has not followed that the NRB directives to maintain overall 5% gap in interest charged and interest offered. Thus bank is recommended to lower this gap by charging low interest in lending lowering this gap results in high volume of loans and advances and helps in increasing the sustainable lending practice.
4. The high volume of liquidity shows that the high degree of lending strength has been prevailing in all of these banks. The lack of reliable lending opportunities and fear of losing the principle in rural sector has been keeping these banks to less orient toward the lending function. Hence the government should take appropriate action to initiate these directives does not create long term healthy lending practices unless the commercial banks are not self motivated to flow credit in this sector, “But in view of the risk element in lending, the banker still prefers to

have a negative outlook in handling proposals. This attitude requires to be changed among the bankers and any proposal coming to them should be processed to conform to banking norms so that it can be sanctioned for alignment for production or approved social objectives.

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Appendix

Year	X	Y	X=X- \bar{X}	Y=Y- \bar{Y}	X ²	Y ²	Xy
2008	10884	9469	-996	-310.6	992010	96472.36	309357.6
2009	9998	9130	-1882	-649.6	3541924	421980.16	1222547.2
2010	10053	9119	-1828	-660.6	3341584	436392.36	1207576.8
2011	11512	10237	-368	457.4	135424	209214.76	-168323.2
2012	16953	10943	5073	1163.4	25735329	1353499.56	5901928.2
N=5	$\Sigma X=59400$	$\Sigma Y=48898$			$\Sigma X^2=33746269$	$\Sigma Y^2=2517559.2$	$\Sigma xy=8473086.6$

$$\begin{aligned} \text{Mean}(\bar{X}) &= \frac{\Sigma x}{N} \\ &= \frac{53628.86}{5} \\ &= 10725.77 \end{aligned}$$

$$\begin{aligned} \text{Mean}(\bar{Y}) &= \frac{\Sigma Y}{N} \\ &= \frac{42675.92}{5} \\ &= 8535.18 \end{aligned}$$

$$\begin{aligned} \text{Correlation coeff. (r)} &= \frac{\Sigma xy}{\sqrt{\Sigma x^2} \sqrt{\Sigma y^2}} \\ &= \frac{8473086.6}{\sqrt{33746269} \sqrt{2517559.2}} \\ &= \frac{8473086.6}{5809.16 \times 1586.68} \end{aligned}$$

$$= 0.91926$$

$$\begin{aligned} P.Er &= 0.6745 \times \frac{1 - r^2}{\sqrt{N}} \\ &= 0.6745 \times \frac{1 - 0.9192}{\sqrt{5}} \end{aligned}$$

Year	X	Y	x=X - \bar{X}	y=Y- \bar{Y}	x ²	y ²	Xy
2008	9469.632	8314.654	-317.36	-199.6	100719.9	39840.1	63345.056
2009	9130.306	8002.564	-656.7	-511.6	431254.89	261734.5	335967.7
2010	9119.093	8012.501	-667.9	-501.7	446090.4	251702.9	335085.4
2011	10274.55	8854.123	487	339.9	237169	115538.8	165531.3
2012	10943.161	9387.154	1165.16	873	1336705.9	762129	1009327.68
N=5	$\sum X=39689.642$	$\sum Y=42570.996$			$\sum X^2=2551940$	$\sum y^2=1430945.2$	$\sum xy=1909257.13$

$$\begin{aligned} \text{Mean}(\bar{X}) &= \frac{\sum x}{N} \\ &= \frac{48935.64}{5} \\ &= 9787 \end{aligned}$$

$$\begin{aligned} \text{Mean}(\bar{Y}) &= \frac{\sum Y}{N} \\ &= \frac{42570.996}{5} \\ &= 8514.19 \end{aligned}$$

$$\text{Correlation coeff. (r)} = \frac{\sum xy}{\sqrt{\sum x^2} \sqrt{\sum y^2}} = \frac{1909257.136}{\sqrt{2551940} \sqrt{1430945.2}}$$

$$= \frac{1909257.136}{1597.48 \times 1196.22}$$

$$= 0.98$$

$$\text{P.Er} = 0.6745 \times \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745 \times \frac{1 - 0.98}{\sqrt{5}}$$

$$= 0.0120$$

$$\text{Correlation coeff. (r)} = \frac{\Sigma xy}{\sqrt{\Sigma [x]^2} \sqrt{\Sigma y^2}} = \frac{233994.2}{\sqrt{2551940} \sqrt{25654.28}}$$

$$= \frac{233994.2}{1597.47 \times 160.169}$$

$$= 0.9145$$

$$\text{P.Er} = 0.6745 \times \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745 \times \frac{1 - 0.9192}{\sqrt{5}}$$

$$= 0.049$$

$$Y = a + bx \dots \dots \dots (i)$$

$$\Sigma y = Na + b \Sigma x \dots \dots \dots (ii)$$

$$\Sigma xy = a \Sigma x + b \Sigma y^2 \dots \dots \dots (iii)$$

$$580908240 = 59400a + 70092000 b$$

$$8473086.6 = 59400a + 48898 b$$

- - -

Correlation Coefficient between loan disbursement and loan loss provision

Year	X	Y	x=X- \bar{X}	y=Y- \bar{Y}	x^2	y^2	xy
2008	9469.6	402.5	-317.36	-67.14	100719.9	4507.77	21307.33
2009	9130.5	388.1	-656.7	-81.54	431254.89	6648.77	53547.318
2010	9119.1	455.9	-667.9	-13.74	446090.4	188.78	9174.318
2011	10237.4	527.2	487	57.5	237169	3315.36	28002.5
2012	10943	574.5	1153.16	104.86	1336705.9	10995.6	121962.66
N=5	$\Sigma X=48899.6$	$\Sigma Y=2348.2$			$\Sigma X^2=33746269$	$\Sigma Y^2=2517559.2$	$\Sigma xy=8473086.6$

$$\begin{aligned} \text{Mean } (\bar{X}) &= \frac{\Sigma x}{N} \\ &= \frac{48899.6}{5} \\ &= 9779.92 \end{aligned}$$

$$\begin{aligned} \text{Mean } (\bar{Y}) &= \frac{\Sigma Y}{N} \\ &= \frac{2348.2}{5} \\ &= 469.64 \end{aligned}$$

Trend analysis of total deposit collection and

Year	X	Y	$x=X-\bar{X}$	$y=Y-\bar{Y}$	x^2	y^2	xy
2008	10884	9469	-996	-310.6	992010	96472.36	309357.6
2009	9998	9130	-1882	-649.6	3541582	421980.16	1222547.2
2010	10053	9119	-1828	-660.6	3341582	436392.36	1207576.8
2011	11512	10237	-368	457.4	135424	209214.76	-168323.2
2012	16953	10943	5073	1163.4	25735329	1353499.56	5901928.2
N=5	$\sum X=59400$	$\sum Y=48898$			$\sum X^2=33746$ 269	$\sum Y^2=2517559.2$	$\sum xy=8473086.6$

$$\sum X = 59400$$

$$\sum Y = 48898$$

$$\bar{x} = \frac{\sum x}{N}$$

$$= \frac{59400}{5}$$

$$11880$$

=

$$\bar{Y} = \frac{\sum y}{N}$$

$$= \frac{48898}{5}$$

$$= 9779.6$$