

**MACROECONOMIC AND BANK SPECIFIC DETERMINANTS ON DEPOSITS AND
ITS MOBILIZATION: AN ANALYSIS OF GOVERNMENT BANKS**

A Dissertation submitted to the Office of the Dean, Faculty of Management in
partial fulfilment of the requirements for the Master's Degree

by

Dipa Dhakal

Campus Roll No: 923/074

Exam Roll No: 5515/18

T.U. Reg. No: 7-2-712-36-2010

Shanker Dev Campus

Kathmandu

June, 2024

Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Macroeconomic and Bank Specific Determinants on Deposits and Its Mobilization: An Analysis of Government Banks**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation

.....
Dipa Dhakal

Date:.....

Report of Research Committee

Ms. Dipa Dhakal has defended research proposal entitled “**Macroeconomic and Bank Specific Determinants on Deposits and Its Mobilization: An Analysis of Government Banks**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work and guidance of supervisor and submit the thesis for evaluation and viva voce examination.

.....

Asso. Prof. Dr. Kapil Khanal

Dissertation Supervisor

Dissertation Proposal Defended Date:

.....

Dissertation Submitted Date:

.....

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Head of Research Department

Dissertation Viva-voce Date:

.....

Approval Sheet

We have examined the dissertation entitled “**Macroeconomic and Bank Specific Determinants on Deposits and Its Mobilization: An Analysis of Government Banks**” presented by **Dipa Dhakal** a candidate for the degree of Master of Business Studies (MBS). We hereby certify that the dissertation is acceptable for the award of degree.

.....
Asso. Prof. Dr. Kapil Khanal
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

Acknowledgements

I would like to take this opportunity to express my heartfelt gratitude and appreciation to all those who have supported me throughout the journey of completing my dissertation. Their guidance, advice, and encouragement have played a crucial role in my successful completion of this important milestone in my academic path towards acquiring the Master of Business Studies degree. Tribhuvan University and Shanker Dev Campus have provided me with an invaluable opportunity to expand my educational horizons and apply the knowledge and skills I have acquired in a real-world environment. I am deeply grateful for their support and the chance they have given me to further my education.

I would like to extend my deepest gratitude to Asso. Prof. Dr. Kapil Khanal, my supervisor, for his unwavering support, guidance, and expertise throughout the research process. His valuable insights and constructive feedback have been instrumental in shaping the direction and quality of my thesis.

I would also like to express my sincere appreciation to Asso. Prof. Dr. Sajeeb Kumar Shrestha, the Head of the Research Department, and Asso. Prof. Dr. Krishna Prasad Acharya, the Campus Chief, for their continuous support and encouragement. Their belief in my abilities has been a driving force behind my progress and success.

Furthermore, I would like to acknowledge the entire research team at Shanker Dev Campus for their steadfast assistance and direction in collecting critical data for this research. Their contributions have been invaluable in ensuring the accuracy and reliability of my findings.

Finally, I want to extend my deepest gratitude to all those who have been there for me throughout my academic journey, providing assistance and support in various situations. Their help and encouragement have been indispensable in the successful completion of this study project.

Dipa Dhakal

June, 2024

Table of Contents

<i>Certification of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>viii</i>
<i>List of Figures</i>	<i>ix</i>
<i>Abbreviations</i>	<i>x</i>
<i>Abstract</i>	<i>xi</i>
CHAPTER I: INTRODUCTION	1
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Objectives of the study	5
1.4 Rationale of the Study	5
1.5 Limitations of the Study	6
CHAPTER II: LITERATURE REVIEW	7
2.1 Theoretical Review	7
2.1.1 Concept of Deposit	7
2.1.2 Deposit Types	8
2.1.2.1 Current Deposit	9
2.1.2.2 Saving Deposit	9
2.1.2.3 Fixed Deposit	10
2.1.3 Deposit Mobilization	10
2.1.3 Factors Affecting Deposit Mobilization	11
2.1.3.1 Loan and Advances	11
2.1.3.2 Bank Branches	11
2.1.3.3 Size of the Bank	11
2.1.3.4 Net Interest Margin	12
2.1.3.5 Liquidity	12
2.1.3.6 Exchange Rates	13
2.1.3.7 GDP	13
2.1.3.8 Inflation	14

2.1.4 Theories Related Deposits.....	14
2.1.4.1 Shiftability theory	14
2.1.4.2 Credit Creation Theory	15
2.1.4.3 The Fraction Reverse Theory.....	16
2.2 Empirical Review.....	17
2.3 Research Gap.....	28
CHAPTER III: RESEARCH METHODOLOGY.....	29
3.1 Research Design.....	29
3.2 Population and Sample, and Sampling Design	29
3.3 Sources and Types of Data.....	29
3.4 Data Procedure	29
3.5 Research Framework and Definition of Variables.....	30
3.6 Method of Data Analysis	33
CHAPTER IV: RESULTS AND DISCUSSION.....	35
4.1 Results	35
4.1.1 Descriptive Analysis.....	35
4.1.2 Correlation Analysis	37
4.1.3 Regression Analysis	39
4.2 Discussions.....	43
CHAPTER V: SUMMARY AND CONCLUSION.....	45
5.1 Summary	45
5.2 Conclusion.....	47
5.3 Implications.....	47
References.....	
Appendices.....	

List of Tables

Table 1 Summary of Empirical Review.....	24
Table 2 Summary of Descriptive Statistics.....	36
Table 3 Correlation Analysis	38
Table 4 Model Summary	39
Table 5 Analysis of Variance (ANOVA).....	40
Table 6 Regression Coefficients	41

List of Figures

Figure 1 Research Farmwork.....	30
---------------------------------	----

Abbreviations

ADBL	:	Agricultural Development Bank Limited
BDG	:	Banks Deposit Growth
CRO	:	Company Registers Office
F/Y	:	Fiscal Year
GDP	:	Gross Domestic Products
GN	:	Government of Nepal
LIQ	:	Liquidity
MBS	:	Master's in Business Studies
NBB	:	Number of Bank Branches
NBL	:	Nepal Bank Limited
NIM	:	Net Interest Margin
NRB	:	Nepal Rastra Bank
RBBL	:	Rastriya Banijya Bank Limited
SPSS	:	Statistical Package for Social Science

Abstract

This research investigates the variables that have influenced the growth of deposits in Nepalese commercial banks over a period of ten years. The analysis focuses on variables such as the number of bank branches, the net interest margin (NIM), the size of the bank (measured by total assets), the liquidity levels, the growth of the GDP, and the inflation rates. The data for this analysis comes from three government banks: Rastriya Banijya Bank Limited, Agricultural Development Bank Limited, and Nepal Bank Limited. There is a substantial amount of variation in the mean deposit growth, according to descriptive data. The results of the correlation study show that there is a substantial positive association between the number of bank branches and the increase in deposits while the net interest margin (NIM) demonstrates a negative correlation. The regression study identified branch expansion and efficient NIM management as significant variables that influence deposit growth. These factors account for 47.8 percent of the variation in deposit growth. With regard to improving deposit mobilization efforts in Nepalese commercial banking, the research emphasizes the importance of strategic branch network growth as well as interest rate management.

Keywords: Deposit growth, Nepalese commercial banks, branch expansion, net interest margin, bank size, liquidity, GDP, inflation

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial resources of banking system are naturally provided from people's deposit. Therefore, it can say that deposits are the most important resources of commercial banks. Banks contribute country growth plan by its various mechanisms. One of the financial institutions (Bank) is rendering services are Mobilizing deposit from their estimate customer and lend to another lending customer, to facilitate finance for business and related projects. So that deposit mobilizations are a back bone of bank to rendering their services, to perform their capacity, wealth's and other related benefits. Given this general fact the bank is expected to manage its deposit. Managing deposits is not possible without knowing and controlling the factors affecting it (Mohammad & Mahdi, 2010). In literature there are several factors that are claimed to be determinants of deposits.

Mobilization of deposits is one of the important functions of banking business. It is an important source of working fund for the bank. Deposit mobilization is an indispensable factor to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The success of the banking greatly lies on the deposit mobilization. Performances of the bank depend on deposits, as the deposits are normally considered as a cost-effective source of working fund. There are different types of deposits, with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits. If all the banks increase their lending together, then they can expect new deposits to return to them and the amount of money in the economy will increase. Excessive or risky lending can cause borrowers to default. The banks should become more cautious while making investments so it can maximize its profit by minimizing risks (Basnet, 2007).

Tuyishime et al. (2015) state that, mobilization of deposits is one of the most significant activities of the banking industry. Due to the fact that lending is not a one-time transaction, commercial banks should make every effort to mobilize deposits in the future without fail. Despite the fact that deposits made by depositors

are for the purpose of safeguarding their extra cash, people are more interested in bank deposits for a variety of reasons, including the following. Depositors feel that the danger of making a deposit in a bank is minor, and that the bank provides a simple payment system to depositors in order to receive interest on their savings, protect their funds from theft, and save money for future needs.

Banks borrow and lend. They borrow money by accepting deposits from the public including members of the bank. Deposits are the life blood of a banking institution, including co-operative banks, as they constitute the chief source of funds to undertake lending operations. For Banks, the amount of deposits is very important and therefore all banks compete among themselves for mopping up deposits. The banks should introduce various deposit schemes so that these can attract a variety of people to suit their taste. The banks offer a number of deposit schemes to the public which include fixed deposit, saving deposit, current deposit and the like. The mobilization of resources through deposits helps the bank to meet the growing demands from various sectors of the economy namely, agriculture, small scale industry, weaker sections of the community and the like. “The quantum of deposits and growth rate in deposit figures shows the extent of public confidence that a bank enjoys”. It is the size of the deposits that largely decides the lending potential of a bank (Sundharam & Varshney,2005).

Deposit is the monetary amount that placed with some entity. The deposit is usually the main source of fund for the bank. Mainly, call deposit or sight deposit, term deposit/fixed deposit and oversight lending are the main types of deposit in the financial institutions. Depositing money into a typical checking account qualifies as a transaction deposit, which means that the funds are immediately available and liquid, without any delays. As Commercial banks constitute a major chunk of total assets and total deposits in the banking system in Nepal and extension of credit is one of the major functions of banking institution, the study attempts to capture the determinants of lending behaviour of commercial banks. This study prevails the deposit mobilization of commercial banks with reference to two governmental banks i.e., Rastriya Banijya Bank Limited and Agricultural Development Bank Limited (Khanal, 2010).

Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts, time deposit accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited.

1.2 Problem Statement

Available adequate deposits in the banking industry are analogous to blood circulation in a human body structure, since life is impossible without blood circulation and circulation is essential in banking company. Similar to this, deposit mobilization is the most important prerequisite for banking businesses in order to ensure their continued existence. As a result, attracting an increasing number of consumers is critical for the banking industry. When there are a greater number of consumers, the quantity of deposits that may be mobilized increases. Deposits account for a significant portion of liquidity management and revenue generation in the banking industry. Credit supplies to borrowers become available when the rise in the quantity of deposits keeps pace with the growth in the demand for credit.

Bank deposits come from the depositors who are investing their money in commercial banks. So as to undertake this process the money should be available first. Deposit is the most liquid money that is found in the treasury of commercial banks and which is ready to be borrowed by a body in need of the fund. A deposit of the commercial bank may be affected by different factors. Since a deposit is most useful asset of the bank it important to find out the factors affecting it and determining the relationship between them. This study will fill this gap by identifying the factors that can affect the deposit of the commercial banks and determined the extent they are affecting it.

The main function of financial institutions of mobilizing funds from the surplus economic agents to the deficit economic agents is put to test in order to generate economic growth. However, the efficiency of performing this function depends on the level of development of the financial system. The finance literature provides support for the argument that countries with better/efficient financial systems grow faster, while inefficient financial systems bear the risk of bank failure. The

efficiency of a financial system is gauged by how speedily and cheaply the financial system is able to channel funds from the surplus economic agents to the deficit agents for productive investments, while ensuring reasonable returns for the financial intermediaries (Obamuyi, 2013).

Pradhan and Paneru (2016), indicate that the number of branches, the pattern in deposit growth over time, and the lagged log saving deposit are all regarded to be crucial determinants for deposit growth in Nepal's banking system. Consequently, it follows that these explanatory variables have a positive influence on the bank deposit of the commercial bank, and that any change in them will result in the greatest change in the bank deposit. According to Dhungana (2011), the higher the level of GDP, the higher the level of deposits in financial institutions, and the greater the economic development of the country. Similarly, a high level of deposits in commercial banks helps to the expansion of the nominal GDP and the expansion of the economy of the country. Shrestha (2008) investigated the private savings behavior in Nepal, looking at both long-term drivers and short-run dynamics. The findings of the research revealed that real interest rates have a beneficial impact on private saves in Nepal, and that this impact is statistically significant. According to the findings of Mangkuto (2004), the effects of conventional deposit interest rates and deposit yields on deposit growth were positive and negative, respectively. The study also discovered that the correlation between deposit yield and conventional interest rate with deposit was positive and negative, respectively. A second finding of the research was the fact that the return on deposits influences depositors' decisions to place their money in Islamic financial institutions (Islamic banks). Bhandari (2011) came to the conclusion that there is a positive association between deposit and economic development in the country of Nepal. There is a statistically significant association between the total interest received and the total interest payable. Furthermore, the interest rate structure and its impact on deposit and lending of numerous Nepalese banks were examined. It was shown that interest rates had a negative relationship with bank lending and a positive relationship with bank deposit.

The empirical study on the area of factors affecting deposit of Commercial Bank of Nepal is rarely available and was not done properly at all. Since the major determinants of bank deposit studied before in the case of commercial banks, there

is a research gap and need to identify these important determinants of bank deposit in the case of Commercial Bank of Nepal. Therefore, this study intended to identify and evaluate factors that affect the deposit of Commercial Bank of Nepal by providing some proof on the factors that contributes to the deposit of commercial banks. Generally, this study is also conducted to address the broader research question of:

- i. What are the main factors that affect the deposit of sample commercial banks?
- ii. How will specific factors relate the sample commercial banks deposit?
- iii. What is the impact of specific factors on deposit of sample commercial banks?

1.3 Objectives of the study

The objectives of the study are given as below:

- i. To access the affecting factors of the banks deposit of sample commercial banks.
- ii. To examine the relationship between specific factors and deposit of sample commercial banks.
- iii. To analyze the impact of specific factors on the deposit of sample commercial banks.

1.4 Rationale of the Study

The quality and coverage of a bank's fund mobilization policies are indicative of the health of the bank and, ultimately, the health of the national economy as a whole. If banks want to achieve the most efficient use of a limited economic resource, such as capital, they must successfully establish their fund mobilization strategy and put it into practice as efficiently as possible. As a result, commercial banks play an important role in the provision of credit to the economy. It is anticipated that the proposed research would be useful to a number of people, groups, and organizations, either directly or indirectly. Direct beneficiaries of the research include bank lenders, creditors, investors, and depositors who stand to gain financially as a result of the findings. But there are certain benefits that may be gained by borrowers as a result of the research. The main purpose of this study is identifying determinants factors of deposit in commercial bank of Nepal and provides helpful information's to different stakeholders like Board Members,

executive Managements and other concerned participants to increase commercial bank deposit by applying this study finding and recommendations. The study will have a great contribution to the body of knowledge by identifying the potential relationship between bank deposit and factors determining it; finally, the study also contributes to the researchers who will study on similar and related topics as a guiding material.

1.5 Limitations of the Study

There were some barriers to prepare this Thesis. Some of them are given below:

- This study focused on the deposit and its mobilization of the sample banks.
- This study was totally based on secondary data.
- This study covered last ten years' data i.e., fiscal year 2013/14 to 2022/23.
- Out of 20 commercial banks, this research was basically focused on deposit of three governmental banks i.e., Rastriya Banijya bank Ltd, Agricultural Development Bank Limited and Nepal Bank Limited.

CHAPTER II

LITERATURE REVIEW

This section review relating to the topic deposit mobilization of commercial banks in detail. There are various publications regarding commercial banks deposits and factors that determine the commercial bank deposits. Some authors had classified the factors and explain their relationship with commercial banks deposits. So, various books, journals and articles, some previous research work related to this topic will be reviewed.

2.1 Theoretical Review

Bank deposits represent the most significant components of the money supply used by the public, and changes in money growth are highly correlated with changes in the prices of goods and services in the economy (Sergeant, 2001). Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts, time deposit accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as set forth in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor (the person or entity that made the deposit), and refers to this liability rather than to the actual funds that are deposited

2.1.1 Concept of Deposit

Commercial banks are those banks, which perform all kinds of banking function such as grant loan, deposits of money from the public, discounting bills, repayable on demand and withdraw by cheques, draft and other functions on behalf of customers. Moreover, commercial banks also provide technical and administration assistance to the industries trade and business entrepreneurs sectors. Establishment of commercial banks contributes significant role in the formation and mobilization of internal capital & development efforts. They furnish necessary capital needed for trade and commerce for mobilizing the dispersed saving of the individuals and institution (Pokhrel, 2016).

Bank deposits are the most major components of the money supply that is utilized by the general population, and changes in money growth are significantly connected with changes in the pricing of goods and services in the economy, as seen in the chart below (Sergeant, 2001). Deposits into bank accounts, such as savings

accounts, checking accounts, time deposit accounts, and money market accounts, are made to a financial institution's deposit accounts. According to the terms and conditions of the account, the account holder has the right to withdraw any monies that have been placed into the account. It is the "deposit" itself that is important; rather than the actual monies that are placed, it refers to a debt due by the bank to the depositor (the person or organization who made the deposit).

It is critical to recognize that the deposit policy of commercial banks is the most critical policy for their continued survival. The expansion of a bank is mostly dependent on the growth of its deposit accounts. The amount of money that management will utilize to generate revenue via loans and investment is primarily dictated by the deposit policy of the bank in question. When the deposit policy is liberalized, the growth of the bank is resumed or accelerated, and when the policy is restrictive, the development of the bank is halted. The deposit base of a bank has a significant impact on the amount of credit extensions made by that bank in the banking sector. " The deposit-creating capability of commercial banks pushes them to boost the assets side of the balance sheet at the same time they raise the liabilities side. In other words, assets result in liabilities being created. Traditionally, it was believed that the deposit structure of a commercial bank was set by the depositors rather than by the bank's administration. In the current banking business, there are frequent shifts in this point of view (Vaidya, 1999).

2.1.2 Deposit Types

At the outset it is necessary to know what a deposit is. Bank and Financial Institution Act 2063, defines deposits as the amounts deposited in a current, saving or fixed a/c of a bank or financial institution. People in general, the businessmen; the industrialist & other individuals deposit money in a bank. Bank, flows such amount as loan & invest in different sectors to earn profit. Usually, a bank accepts three types of deposits. They are current, saving & fixed deposits. But in other countries we find more than three deposits. In Nepal, banks grant permission to their customers to open three types of a/c under various terms & conditions. This classification is made on different theoretical & financial basis.

2.1.2.1 Current Deposit

Also called 'demand deposit', current deposit can be withdrawn by the depositor at any time by cheques. Businessmen generally open current accounts with banks. Current accounts do not carry any interest as the amount deposited in these accounts is repayable on demand without any restriction. Banks usually charge a small amount known as incidental charges on current deposit accounts depending on the number of transactions. The deposit in which an amount is immediately paid at the time of any a/c holder's demand is called demand deposits. In another words, we can say this type of demand deposit as current a/c. current a/c means an a/c of amounts deposited in a bank, which may be drawn at any time on demand. Its transaction is continual & such deposit can't be invested in the productive sector, so such type of amount remains as stock in the bank. Though the bank can't gain profit by investing it in new sector after taking from the customers, this facility is given to the customer. Therefore, the bank doesn't give interest on this account. From such deposit, the merchant & traders are benefited more than the individual. The bank should pay as many times as the checks is sent until there is deposit in his a/c. the bank can't impose any condition & restrictions in demand deposit. An institution or an individual, who usually needs money daily, precedes their acts & transaction through such deposit. The current a/c is very important for the customers of bank.

2.1.2.2 Saving Deposit

People who want to deposit little sums from their current income into a savings deposit account should use this kind of account. A savings account may be created with or without the ability to use a cheque book. There are limitations on the amount of money that may be withdrawn from this account. Account holders who have a savings account may additionally deposit checks, drafts, dividend warrants, and other similar documents written in their favor for collection by the bank. It is essential for the depositor to be referred by someone who already has a current or savings account with the same bank in order to create a savings account. The bank may also collect capital via the use of a saving deposit account. This deposit is likewise significant, and its need and extent are not to be overlooked. This account is ideal and suited for persons from the middle class, farmers, and low-income laborers, as well as government officials and small company owners. This savings

deposit combines the advantages of both current and fixed-term deposits in one package. At most cases, accounts are started by making a savings deposit in a bank.

2.1.2.3 Fixed Deposit

Fixed Account means an account of amounts deposited in a bank for certain period of time. The customers opening such account deposit their money in this account, for a fixed period. In the other words, it is called time deposit because this account is deposited for a certain period. Usually, only the person or institution who wants to gain more interest opens such type of account. The period of time can be 3 months, 6 months, 9 months, 1 year, 2 years, 3 years, 4 years, 5 years etc. More interest rate is payable in this deposit than other deposit. Both parties the bank & the customers can take benefit from this deposit. The banks invest this money on the productive sector & gains profit & the customers too can be made his financial transaction stronger by getting more interest from this deposit. The amount in the saving deposit must be returned to the customers after date is expires. The amount can't be withdrawn before the fixed time.

2.1.3 Deposit Mobilization

Banks are responsible for mobilizing, allocating, and investing a large portion of society's savings (Berger et al, 2004). Banks are mostly used by households and corporations to store their money in order to get loans for various project initiatives. Commercial banks are significant financial intermediaries in every community, providing services to the general population. Commercial banks tended to have higher assets than other financial institutions in the majority of situations. Commercial banks, in addition to their many other tasks, assist in the growth and development of economies. Banks lend in a wide range of economic sectors and in a variety of areas (Kelvin, 2001). Deposit mobilization is a strategy used in the banking industry to attract consumers to deposit more cash with the bank, with the hope that this money would be utilized by the bank to distribute more loans and produce greater income for the institution that implemented the strategy. Furthermore, the main function played by loans is that the more loans that banks give, the more profit they earn. Success in deposit mobilization, on the other hand, is dependent on both the growth of the financial system and the adoption of sound strategic practices by financial institutions (Richard, 2015).

2.1.3 Factors Affecting Deposit Mobilization

2.1.3.1 Loan and Advances

Most importantly, when providing a loan, the bank has also established an additional deposit in its files, which should be recognized. Through its previous experience, the bank understands that it will not be possible to withdraw the total amount received as main deposits at the same time. As a result, the bank makes loans to its clients after holding a tiny portion of these deposits in cash. The reserve ratio is the proportion of funds that is kept in reserve. The active deposits are made by the bank in a more active way by creating a deposit account in the borrower's name. Active deposits are deposits that are held in the bank's possession. These deposits are produced by the bank and are referred to as active or derivative deposits since they are created by the bank (Hajela, 2009). According to Mamo (2017), loan and advance growth has a considerable favorable impact on the growth of commercial bank deposits and savings accounts. Yannet (2016), on the other hand, discovered that the impacts of loan disbursement on bank deposit were positive but small.

2.1.3.2 Bank Branches

According to the NRB, the function of bank branches in increasing the ability of banks in deposit mobilization is critical. According to one theory, when there is a growth in the number of branches, the accessibility of bank services will improve. As a result, as more banks become accessible, the number of clients will increase, and at the same time the amount of money in the bank will increase (Fiseha, 2017). To investigate the impact of branch growth on commercial banks' deposit mobilization, Shemsu and Hibret (2015) conducted study to determine the effect of branch expansion on commercial banks' deposit mobilization. According to the findings of their study, the number of bank branches has a positive and statistically significant impact on bank deposit amounts in both the short and long term.

2.1.3.3 Size of the Bank

The size of a bank can impact its deposit growth in several ways. Larger banks often have a wider range of products and services, which can attract more customers and lead to an increase in deposits. Banks with a larger size and wider reach often have a better brand recognition and reputation, which can help to attract deposits from customers who trust the bank's stability and security. Larger banks may have fewer

branches, making it more difficult for customers to access banking services and make deposits. Larger banks may face more intense competition from other banks, both large and small, which can impact their ability to grow deposits. Bank size is positively related to deposit growth (Wang, 2016). This finding suggests that larger banks can benefit from economies of scale and brand recognition, which can lead to an increase in deposits. The relationship between bank size and deposit growth is not always straightforward. Larger banks may face challenges in attracting deposits if they are perceived as being less accessible or less responsive to customer needs (Federal Reserve Bank of St. Louis, 2009).

2.1.3.4 Net Interest Margin

The net interest margin (NIM) is an important factor that can impact bank deposit growth. NIM is the difference between the interest income generated by a bank on its loans and the interest paid out on its deposits, expressed as a percentage of its total earning assets. A higher net interest margin can lead to an increase in deposit growth (Wang, 2016). This is because banks with a higher NIM can offer more attractive interest rates on their deposits, which can encourage customers to increase their deposits with the bank. The relationship between NIM and deposit growth is not always straightforward. Banks with high NIM may face challenges in attracting deposits if they are perceived as being less safe or less liquid than their peers (Federal Reserve Bank of St. Louis, 2009). While a higher NIM can positively impact deposit growth by enabling banks to offer more attractive interest rates, other factors such as safety and liquidity perceptions can also play a role in determining deposit growth. Banks must carefully balance their focus on increasing NIM with maintaining customer trust and confidence in order to achieve sustainable deposit growth.

2.1.3.5 Liquidity

Liquidity is an important factor that can impact bank deposit growth. Liquidity refers to a bank's ability to meet its short-term obligations, such as paying out withdrawals or loans, without incurring significant losses. Customers are more likely to deposit their money in a bank that they perceive as being financially stable and able to meet their short-term withdrawal needs. Banks with a strong liquidity position may be able to offer more attractive interest rates on their deposits, which can encourage customers to increase their deposits. Banks with weaker liquidity

may need to offer higher interest rates to attract deposits, which can increase the cost of funding and impact profitability. Customers may be less likely to deposit their money in a bank that they perceive as being financially unstable or unable to meet their short-term withdrawal needs. Bank liquidity is positively related to deposit growth (Geng & Wang, 2015). This finding suggests that banks with strong liquidity are better able to attract and retain deposits. While strong liquidity can positively impact deposit growth by increasing customer confidence and enabling banks to offer more attractive interest rates, it is also important for banks to maintain a balance between liquidity and profitability in order to achieve sustainable deposit growth.

2.1.3.6 Exchange Rates

According to Mishkin and Eakin (2012), the exchange rate is the price of one currency expressed in terms of another currency at a given time. The value of the dollar fluctuates wildly. Exchange rates have an impact on the economy and our daily lives because when a country's currency appreciates (rises in value relative to other currencies), goods produced in that country are more expensive in other countries, while foreign goods produced in that country are less expensive in other countries (holding domestic prices constant in the two countries). A country's currency depreciates in the opposite direction, causing its exports to become cheaper while imports from other countries become more costly. As a result, fluctuations in the currency rate may have an impact on both consumption and saving.

2.1.3.7 GDP

Specifically, according to Mohammed (2014), the essential premise of the life-cycle hypothesis is that a person strives to maximize the present value of lifetime utility while keeping a tight rein on their financial resources. According to the hypothesis, consumption in a given period, and consequently the choice to save, is influenced by expectations about future income over time. In accordance with this notion, a person's lifespan is split into two periods: the working phase and the retirement period. Over time, individuals are considered to be net savers during their working years and net spenders during their retirement years. Because it raises the lifetime earnings and savings of younger age groups compared to older age groups, an increase in per capita income will result in a rise in the aggregate savings rate, as

would an increase in the aggregate savings rate. It is projected that savings ratios in nations with higher GDP growth rates (and, therefore, higher per capita growth rates) would be greater than those in countries with lower growth rates. Alternatively, another school of thought contends that the magnitude of this benefit would diminish as per capita income increases, and that the effect may even turn negative in affluent nations when investment possibilities and growth are comparatively weaker. According to Fiseha (2017), the GDP has a statistically significant beneficial influence on the increase of bank deposits. In contrast, according to the findings of Shemsu (2015), the GDP has a favorable but small influence on the increase of bank deposits.

2.1.3.8 Inflation

A small but significant effect on the increase of total deposits in the banking system might be exerted by both the rate of inflation and inflationary expectations. Overall, it is predicted that the increase in total deposits would be adversely connected to the anticipation of inflation. Deposits become less appealing when inflation rises, regardless of the interest rate on the deposit. According to this scenario, the assumption would be that when deposit interest rates grow, the amount of money available for deposit would increase as well. Holding deposits beyond the necessary amount should become less advantageous if the margin between deposit rates and inflation becomes smaller. Individuals will be enticed to shift their money away from bank accounts and into any other kind of physical asset since these assets will operate as a hedge against inflation, especially as the rate of inflation grows (Behredin, 2016).

2.1.4 Theories Related Deposits

2.1.4.1 Shiftability theory

The theory of bank deposit analysis is the shiftability theory of Moulton (1981). Assets shiftability refers to the ability of financial assets to move between persons or institutions (banks) at negotiated prices. The shiftability theory holds that the liquidity of a bank depends on its ability to shift its assets to someone else at a particular price.

The theory is based on the proposition that a bank's liquidity could be maintained by holding assets that could be shifted or sold to other lenders or investors for cash at short notice. On the whole, a bank's interests as regards deposit will be better

served if its assets are shiftable to enable it acquire liquidity readily as the need may arise. It would be appropriate for a bank to hold short -term open market investment in its portfolio of assets. The essence of holding short-term investments is to help banks to meet the withdrawal demands of customers from available cash or near cash assets that can easily be sold for cash. On the other hand, if loans are not repaid, the collateral security on the loan could be sold in the market for cash if they are marketable, or rediscounted at the central bank. Deposits therefore, satisfy the shiftable requirement of the bank (Mutton, 1981).

2.1.4.2 Credit Creation Theory

Banking Credits are, in all practicality, the same thing as money in terms of value. Naturally, they cannot be exported in the same way that money can, but for all internal purposes, they have the same impact that an equivalent quantity of money does. They are, in reality, capital that has been manufactured out of thin air (Macleod, 1906). Withers (1916), a prolific writer on this subject and for many years editor of the Economist, had successfully conveyed Macleod's message around the world: In the past, when a customer went to a banker for a loan, the banker would give him a credit in his books, which would add to the deposits on the liability side of the balance sheet. Today, when a customer goes to a banker for a loan, the banker will give him a credit in his books, which would add to the deposits on the liability side of the balance sheet (Withers, 1916). According to the credit creation hypothesis, banks generate credit in the form of what bankers refer to as deposits, and this credit is subsequently converted into money by the central bank. This is the role of the banker, who is both the producer of and trader in credit: to choose from among the many ideas presented by entrepreneurs, permitting one to carry out their goals while refusing this to another. According to Schumpeter (1954), fundamentally modifies the analytic situation, making it very inadvisable to construct bank credit on the concept of existing money being removed from prior uses by a wholly fictional act of saving, and then loaned out by their owners. To claim that the banks "make credit," that is, that they generate deposits in the process of lending, is far more accurate than to say that they "lend the deposits that have been entrusted to them." Because depositors should not be saddled with the burden of a position in which they do not participate, this is something that must be stressed. Because of their strong attachment to the idea, economists are misrepresented as savers when they neither save nor aim to do so; it also gives to

them an impact on the supply of credit' that they do not possess or plan to possess. Credit creation theory not only recognizes patent facts without obscuring them with artificial constructions, but it also brings to light the peculiar mechanism of saving and investment that is characteristic of a fully-fledged capitalist society, as well as the true role of banks in the development and evolution of capitalist societies.

2.1.4.3 The Fraction Reverse Theory

This banking theory also asserts that each bank serves as a financial middleman, according to the author. On the other hand, it differs from the former theory in terms of the collective, macroeconomic function of banks: it contends that the banking system as a whole produces money via the process of multiple deposit growth. When Gurley and Shaw (1955) argued that banks and non-bank financial institutions were largely similar in that they were both financial intermediaries with the ability to create financial claims, their argument was challenged in influential journals during the 1950s and 1960s by, among others, the American Economic Association. By citing the credit or money multiplier in his paper, Phillips established himself as one of the most prominent economists in the early stages of the development of the mechanics of fractional reserve banking. According to Phillips, what is true for the banking system as a whole is not true for a single bank that is simply one of many units inside the banking system as a whole (Phillips, 1920). Another proponent of this notion is Francis Crick (1927). In his argument, Crick asserts that although each bank serves as a financial mediator, the system as a whole has the ability to produce money. Crick, like later Keynes and Tobin, developed the tendency of putting the idea of creation in inverted commas to give credit to the act of creating something new. There will be suspicion, even mockery and ridicule, reserved for those who trust in the capacity of banks to generate credit in this environment. Without completely dismissing the possibility that banks may be able to manufacture credit and money. As a result, Crick and colleagues were successful in downplaying the significance of any such action and reassuring the public or academia that everything was under control. Money creation was described as a kind of diffuse process, a technical detail that experts could debate but that had little direct consequence for the economic model builder.

2.2 Empirical Review

Uremadu and Obim (2024) examined the impact of deposit mobilization on the financial performance of microfinance banks in Nigeria from 2012 to 2021, using real interest rates and gross capital formation as control variables. An exploratory research design was employed, focusing on microfinance banks in Cross River and Abia States, with data sourced from their annual reports. Utilizing a purposive sampling technique, the analysis was conducted using panel random-effects and fixed-effects regression models. The findings revealed that demand deposits positively and significantly affected financial performance, while savings deposits had a negative and significant impact. The study concluded that microfinance banks depend heavily on deposits for financing, recommending that banks enhance deposit mobilization strategies, including prize-linked savings, to boost profitability in Nigeria's banking sector. This implies that targeted deposit mobilization efforts can significantly improve the financial health of microfinance institutions.

Karna and Sahani (2024) assessed the deposit application methods and fund mobilization behaviors of Nepalese commercial banks to generate income for interest payments to customers. The study focused on documenting and institutionalizing deposits for investment in productive sectors, highlighting their role in income generation and economic development. Using qualitative methodologies, the authors analyzed banking practices and their impact on economic growth. The findings emphasized that effective deposit mobilization and investment strategies significantly contribute to financial stability and development. The study concluded that well-structured deposit practices are crucial for enhancing economic progress. This implies that promoting systematic deposit and investment strategies can foster sustainable economic growth in Nepal.

Debesse and Kant (2023) investigated factors influencing deposit mobilization in the Commercial Bank of Ethiopia, using both descriptive and regression analysis with E-views 8 software. The study analyzed seven variables against total deposits, including the number of bank branches, deposit interest rate, liquid asset to deposit ratio, lagged value of bank deposits, net interest margin, inflation rate, and economic growth. Conducted in the Hawassa district with a sample of 10 branches selected through purposive sampling, the research utilized secondary data and

employed descriptive and inferential statistical methods. Findings indicated that the number of bank branches, deposit interest rate, net interest margin, and economic growth had significant positive correlations with deposit mobilization, while the lagged value of bank deposits, liquid asset to deposit ratio, and inflation rate showed insignificant negative correlations. The study concluded that enhancing these positively correlated factors could boost deposit mobilization. This implies that targeted strategies on these factors can effectively increase deposits in Ethiopian banks.

Abdelzaher (2023) aimed to identify the factors influencing deposit mobilization in listed Egyptian banks from 2003 to 2019. The study used deposit growth as the dependent variable, with independent variables including efficiency ratio, size, inflation rate, market capitalization, loan losses, and loans and receivables. Analyzing data from 12 publicly traded banks, the research employed descriptive statistics, Pearson correlation matrices, and two-way random effects models. The results revealed significant positive correlations between deposit growth and factors such as efficiency ratio, size, inflation rate, market capitalization, and loan losses. The study concluded that these variables play a crucial role in enhancing deposit mobilization. This implies that understanding these determinants can help banks strategize effectively to increase deposits.

Banke and Yitayaw (2022) analyzed the determinants of deposit mobilization in the Ethiopian banking sector, analyzing both bank-specific and macroeconomic factors using balanced panel data from 14 commercial banks between 2011 and 2020. Employing a quantitative approach and explanatory design, the study utilized secondary data from audited financial statements. The results indicated that the loan-to-deposit ratio, capital adequacy, economic growth, inflation, population growth, and political stability had a negative and statistically significant impact on deposit mobilization, while bank profitability positively influenced deposit growth. The study concluded that Ethiopian banks should focus on internal management factors while considering broader economic and political conditions. This suggests that banks can enhance deposit mobilization by strategically addressing these determinants.

Yakabu and Abokar (2021) examined the key factors determining bank deposit growth in Turkey for the period 2000Q1–2016Q4. The study employs the autoregressive distributed lag approach to investigate the effect of bank-level and macroeconomic factors on deposit growth. The results reveal that bank stability, banking sector efficiency, broad money supply, economic growth, and inflation are significant determinants of deposit growth in the long run. The findings further show that in the short run, only branch expansion and broad money supply are relevant for bank deposit mobilization.

Bogale (2020) looked at the potential of the country regarding deposit mobilization by taking CBE as evidence. The study used time series secondary data to be collected from Commercial Bank of Ethiopia data base. The study had found variables that can affect the total deposit of commercial banks. Eight variables are regressed with the dependent variable, that is, total deposit; these variables include total loans and advances, total revenue, total expense, liquidity, total asset, consumer price index and operating expense. The result of Johansson co-integration test with lags in level shows in the long run Reserve Requirement and Consumer Price Index negatively affect the Total Deposit in Commercial Bank of Ethiopia whereas the Total Asset, Total Liability and Total Loans and Advance affect Commercial Bank of Ethiopia's Deposit positively and all are statically significant. Once the variables are co integrated we used the vector error correction (VECM) to determine the short run coefficient. And in the short run, among the given Determinants of Commercial Bank Deposit Only Consumer Price Index and the total Loans and Advance are significant and affect the Deposit in Commercial Bank of Ethiopia negatively.

Manandhar (2019) conducted a study to find out the strategies and the trends in deposit mobilization of commercial banks in Nepal, to analyze the deposit mobilized by the public and private sector commercial banks for a period of 5 years and to ascertain the primary factors that attract the depositors to prefer for a particular bank. Findings of the study show that the average operation of each type of account by the respective depositor is very much high in case of current deposit account because they are used by which Businessman and administrative Agencies. They often issue checks in settlement of the Year accounts every day and large number. Hands, the “average operations” of current deposit account deposit per

month is 2.56 in SCBNL and it is 3.31 in NBBL which is far higher than any other account of course the recurring deposit account is operated once in a month per account holder. Hence, it is to be concluded that cost of servicing of current deposit account is likely to be more than the operation of any other deposit account. So, such accounts are charged with service charges at a particular rate to the current deposit account concerned.

Shollapur and Baligatti, (2019) conducted a study on Funds management in Banks with the main aim to examines the profitability of funds management of the select Indian banks with a cost-benefit perspective. The sources and uses of funds as represented by various items of liabilities and assets contained in balance sheets are considered for the purpose of analysis. Similarly, the items such as interest cost, interest income, etc., are drawn from P&L accounts of these banks. The study reveals that the overall cost of funds, in terms of cost of deposits, as well as borrowings for the banking industry, as a whole, has maintained a decreasing trend. HPBs have relatively performed better than MPBs and LPBs in reducing both the costs. This is attributed to HPBs' ability to get funds in the call money market by exploiting the opportunities of soft interest rates. Similarly, the analysis of components of return on funds reveals that both the return on advances, as well as investments, has maintained a decreasing trend.

Tun (2019) researched on an empirical analysis of macroeconomic factors affecting on the deposit mobilization of private commercial banks in Myanmar to explored the impact of macroeconomic factors which include real interest rate, GDP per capita, money supply and average exchange rate on deposits mobilization in the case of private commercial banks in Myanmar. This study targets 24 private Commercial Banks which include a sample. The relationship between deposit and macroeconomic factors is examined using quarterly data for the period from fiscal year 2013/14 to 2017/18. The required secondary data are obtained from quarterly financial statistics bulletin of Central Bank of Myanmar and Statistical Year Book published by CSO, Myanmar. Data was analyzed with inferential such as correlation analysis and multiple regression analysis, and descriptive analysis using Statistical Package for Social Sciences software (version 23). The study finds that real interest rate, GDP per capita and exchange rate have a positive and significant effect on the deposit mobilization while money supply has a negative and

insignificant impact on deposit of private banks. Hence, the study recommends that the policy makers should ensure adopting appropriate macroeconomic policies because macroeconomic factors such as real interest rate and real GDP per capita affect the increase of deposit mobilization.

Gunasekara and Kumari (2018) studied factors affecting for deposit mobilization in Sri Lanka to investigate the most effective factors affecting deposit mobilization, followed by a random sampling method, in which 120 deposit account holders were selected as a sample from three different convenient sample areas. The Questionnaires are equipped with questions to obtain primary data. The data has been analyzed using “descriptive statistics” and “regression analysis”. The study reveals that, there is a significant and positive relationship between deposit mobilization and deposit interest rate, security, branch expansion, services, technology and awareness. Moreover, there is a significant relationship between living area and the number of deposits and the demographic variables, such as, gender, occupation, education level and income significantly affect for deposit mobilization.

Pradhan (2018) analyzed the level of deposit mobilization of Nabil Bank Ltd, to make an assessment of loan loss provision made against the NPL by Nabil Bank Ltd, to evaluate the impact of Deposit in the performance in Nabil Bank and to provide recommendation on reducing the level of deposit. The major findings of the study show that the loans and advances to total deposit ratio is also in the fluctuating trend. The mean is 74.00% which indicates the average efficiency of the bank in utilization of its deposits. The S.D. is 4.00% and C.V is 0.00%. It signifies less deviation and more consistency in advancing loans out of deposits. The average mean ratio of nonperforming loans to total loans and advances is 1.50 %, which is considered to be a strong side of the bank in managing NPLs. The S.D is 0.70% and C.V is 0.00%. It can be said that the bank controlling its NPLs efficiently. The ratio of provision held to total non-performing loans is sufficiently high. The average mean is 96.60%. The standard deviation is 78.10% and C.V. is 15.90%. It indicates that the bank has sufficiently provisioned against non-performing loans. The higher the ratio of NPL provisioned against loans, the better the cushion against the risk of actual loan loss. The average ratio of non-performing loan to total asset is 0.90%.

Tuyishine et al., (2018) indicated that deposit interest rates affect the level of deposits and later on the profitability of the bank. It reveals that deposit interest rates and the volume of deposit correlated negatively with each other. Their regression analysis shows that there is an opposite relationship between the rate of deposit interest and the deposit growth. The study disclosed that among main three deposit types of deposits, term deposit is the most interest rate sensitive product and this study concerns the relationship between deposit interest rate and the other variables as gross domestic product (GDP), inflation and foreign exchange. Banks are regulated to maintain minimum interest rates for savings, maximum deposit interest rate or the actual deposit interest rate cannot be authorized and it is completely a decision of a bank.

Alagarsamy and Ganapathy (2017) evaluated the growth rate and Compound Annual Growth Rate in deposit mobilization of scheduled commercial banks in the Western Region of India during the period from 2005-2006 to 2014-2015. The findings of the study show that the Term Deposit steady state growth rate is all western region of India, but in the state of Maharashtra 2004 to 2010 for the 10 years the Term deposit range is very high compare with other western region of Goa, Gujarat, Dadra & Nagar Haveli and Daman & Diu because Maharashtra is India's second-most populous state and third-largest state by area. The same time the state of Maharashtra current deposit and saving deposit has not increase in the all the ten years. The State of Dadra and Nagar Haveli compare with all deposits the saving deposit with high. The state of Maharashtra the term deposit increase at the same time saving deposit and current deposit decrease because the state of Maharashtra the population is more compare with another western region in India.

Shettar (2017) conducted a study to offer useful suggestion in deposit for management. From the study researcher found that increase in deposits every year reflects the Union Bank of India's effectiveness in mobilization of funds for deployment. Union Bank of India is successful in attracting the deposits from the public and thereby it is successful in developing the habit of savings among people. The deposit mix of Union Bank of India is conventional in nature, it indicates that the term deposits share is comparatively high out of the total deposit. Growth of the term deposit is also in an increasing trend over the period. Bank is firmly committed to consolidating and maintaining its identity as a leading, innovative Commercial

Bank, with a proactive approach to the changing needs of the society. This is because of number of products and services made available to its valuable customers. Today, with its efficient, value-added services, sustained growth, consistent profitability and development of new technologies, Union Bank of India has ensured complete customer delight, living up to its image of, “GOOD PEOPLE TO BANK WITH”. The key to the success of any organization lies with its people. The Bank, as a good corporate citizen, has stepped into the arena of counseling the common man to help them and lead a decent and honorable life in the future days to come. Though they have made good progress in technology, the challenge lies in quickly disseminating these products amongst their clientele and also present themselves as a techno-savvy bank, particularly to the younger generation of the society.

Awole (2016) investigated the determinants of commercial banks' deposit growth using the panel dataset for the study period from 2000 to 2014 gathered from the National Bank of Ethiopia time series database. The study found that bank branches and percapita-income growth is positive and statistically significant on bank deposit growth. Similarly, lagged bank deposit and loan-to-deposit ratio is negatively and statistically significant on bank deposit growth. In addition, money supply growth has insignificant negative influence on bank deposit growth. The study implies that stimulation of economic growth, banks presence and financial intermediation are most important factors that affect bank deposit growth.

Hibret (2015) investigated the short and long run impacts of determinant factors on deposit growth of commercial bank of Ethiopia for the period from 1975 to 2014 using Vector Error Correction Model (VECM). The study also checked the causal relationships that exist between deposit growth and its determinant factors employing test of Granger causality. The results revealed that interest rate has positive but insignificant impact on deposit growth both in the long run and short run. Similarly, population and economic growth also has a positive relationship with deposit growth and it is significant in the long run but insignificant in the short run. The result also indicated that there is bi-directional causality between branch expansion and deposit and economic growth in Ethiopia.

Maharana et al (2015) evaluated the trend and growth in deposit mobilization of scheduled commercial banks in Bhubaneswar in the period from 2008-09 to 2013-14. Three different types of deposits, namely demand deposit, savings deposit and term deposit is considered for the study taking BOB and Axis Bank. The total number of deposits accounts and total amount of deposits mobilized during the year from 2008-09 to 2013-14 in all scheduled commercial banks in India is gathered from RBI bulletin. The collected time series data are subjected descriptive statistics. Analysis is done taking primary data through a questionnaire to present different factors responsible for deposit mobilization of BOB and Axis Bank in Bhubaneswar city.

Valahzaghari and Kashfi (2014) investigated on the effects of seven variables including growth domestic product, financial deepening, inflation rate, dependency burden, the number of bank's branches, inflation rates given/charged on bank deposit using the period from 2006 to 2011. The implementation of individual regression analysis has detected a positive and meaningful relationship between growth domestic product, financial deepening, inflation rate and the number of branches on one side and bank deposit on the other side. In addition, the study confirmed a negative and meaningful relationship between two variables of dependency burden as well as interest charged on bank's clients and bank deposit. However, the study also revealed that there is no significant relationship between interest rate paid to customers and bank deposit.

Table 1

Summary of Empirical Review

Author(s)	Objectives	Methodologies	Major Findings
Uremadu and Obim (2024)	To examine the impact of deposit mobilization on the financial performance of microfinance banks in Nigeria.	Exploratory research design; panel random-effects and fixed-effects regression models.	Demand deposits positively affect financial performance; savings deposits negatively affect it.
Karna and Sahani (2024)	To assess deposit application methods	Qualitative methodologies.	Effective mobilization and deposit and

	and fund mobilization behaviors of Nepalese commercial banks.		investment strategies significantly contribute to financial stability and development.
Debesso and Kant (2023)	To investigate factors influencing deposit mobilization in the Commercial Bank of Ethiopia.	Descriptive and regression analysis using E-views 8; secondary data.	Number of branches, deposit interest rate, net interest margin, and economic growth positively affect deposit mobilization.
Abdelzaher (2023)	To identify factors influencing deposit mobilization in listed Egyptian banks.	Descriptive statistics, Pearson correlation matrices, and two-way random effects models.	Efficiency ratio, size, inflation rate, market capitalization, and loan losses positively correlate with deposit growth.
Banke and Yitayaw (2022)	To analyze determinants of deposit mobilization in Ethiopian banks.	Quantitative approach using balanced panel data; secondary data from financial statements.	Loan-to-deposit ratio, capital adequacy, economic growth, and political stability negatively impact deposit mobilization, while profitability has a positive impact.
Yakabu and Abokar (2021)	To examine key factors determining bank deposit growth in Turkey.	Autoregressive distributed lag approach.	Bank stability, sector efficiency, money supply, economic growth, and inflation significantly determine long-term deposit growth.

Bogale (2020)	To explore the potential of deposit mobilization in CBE.	Time series data analysis; Johansson co-integration test; VECM.	Reserve requirement and CPI negatively affect deposits; total assets, liabilities, and loans positively affect deposits.
Manandhar (2019)	To analyze trends in deposit mobilization of commercial banks in Nepal.	Qualitative analysis.	Current deposit accounts are highly used, and service charges apply due to high operational costs.
Shollapur and Baligatti (2019)	To examine the profitability of funds management in Indian banks.	Analysis of balance sheets and P&L accounts.	Decreasing cost of funds; HPBs perform better than MPBs and LPBs in reducing costs and exploiting interest rates.
Tun (2019)	To analyze macroeconomic factors affecting deposit mobilization in Myanmar.	Multiple regression analysis; SPSS software.	Real interest rate, GDP per capita, and exchange rate positively affect deposit mobilization; money supply has a negative impact.
Gunasekara and Kumari (2018)	To investigate factors affecting deposit mobilization in Sri Lanka.	Random sampling; questionnaires; regression analysis.	Significant positive relationship between deposit mobilization and factors like interest rate, security, and technology.
Pradhan (2018)	To analyze deposit mobilization and loan loss provisions in Nabil Bank Ltd.	Descriptive statistics.	Fluctuating loan-to-deposit ratios; effective management of NPLs; high provisions against NPLs.
Tuyishine et al. (2018)	To examine the relationship between	Regression analysis.	Negative relationship between deposit interest

	deposit interest rates and deposit growth.		rates and deposit growth; term deposits most sensitive.
Alagarsamy and Ganapathy (2017)	To evaluate deposit mobilization growth in Western India.	Descriptive statistics; growth rate analysis.	Steady growth in term deposits; Maharashtra leads in term deposit growth compared to other regions.
Shettar (2017)	To offer suggestions for deposit management in Union Bank of India.	Descriptive analysis.	Increasing deposits; high share of term deposits; effective product and service offerings.
Awole (2016)	To determine factors influencing deposit growth in Ethiopian banks.	Panel data analysis.	Positive impact of bank branches and per capita income; negative impact of loan-to-deposit ratio and money supply growth.
Hibret (2015)	To examine determinant factors of deposit growth in Ethiopia.	Vector Error Correction Model (VECM); Granger causality test.	Positive but insignificant impact of interest rate; significant positive impact of population and economic growth in the long run.
Maharana et al. (2015)	To evaluate deposit mobilization trends in Bhubaneswar.	Descriptive statistics; questionnaire analysis.	Various factors affect deposit mobilization, including demand, savings, and term deposits.
Valahzaghari and Kashfi (2014)	To investigate effects of macroeconomic	Individual regression analysis.	GDP, financial deepening, and inflation positively affect

variables on bank
deposits.

deposits; dependency
burden negatively affects
deposits.

2.3 Research Gap

It is hoped that the evaluation of the relevant material mentioned above will help to improve basic understanding and knowledge, which will help to make this study meaningful and purposeful in the long run. Prior study on the subject of deposit affecting factors had concentrated on narrow ratios, only banking variables, and short periods of time, all of which were incapable of resolving the issues at hand. Various methodologies, such as descriptive analysis, correlation analysis, and regression analysis, were employed in this research to gather information. Various pieces of information are thoroughly studied and generalized in this investigation. This investigation is mostly focused on a practical study, and it places a strong emphasis on taking a realistic approach. Aside from that, this thesis makes use of a larger sample size than earlier literature, which was absent from the previous study. This thesis examines the elements that influence the formation of a deposit and the subsequent mobilization of that deposit. Keeping this in mind, this thesis is useful and has been written with the assistance of up-to-date information.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically it is necessary for the researcher to know not only the research methods but also the methodology.

3.1 Research Design

Research design is the specification of method and procedures for acquiring the information needed. It deals with what information is to be collected from which sources and by what procedures. If research design is good, it ensures that the information obtained is relevant to the research questions and collected by objective and economic procedures. To achieve the specific objective of the study, descriptive and causal comparative research was carried for this study.

3.2 Population and Sample, and Sampling Design

At present, there are 20 commercial banks are operating in Nepal and three are government banks. They constitute the population sample. Among of them, all three government commercial Banks is selected namely; Rastriya Banijya Bank Limited, Agricultural Development Bank Limited and Nepal Bank Limited were selected using purposive sampling method. for the study of deposit mobilization. Ten years' data were taken to conduct the study from 2013/14 to 2022/23. Convenience sampling method was used to select the sample commercial banks.

3.3 Sources and Types of Data

To conduct this study, secondary data were taken from annual reports of related office and their websites. So, the major sources and types of data include these published sources, financial statement of RBBL, ADBL and NBL, Annual report of the banks.

3.4 Data Procedure

Various data obtained through different sources can't be used directly for the analysis in their original form. So, they were rechecked, re-evaluated, edited and tabulated to bring them into appropriate form for the analysis purpose. The researcher would have made the collected data trust worthier getting them form

authorized sources. The data are tabulated according to subject matter and they are shown in table in sequential way. Similarly, the financial ratios would be used for the analysis and interpretation of the deposit mobilization of selected sample banks.

3.5 Research Framework and Definition of Variables

The researcher revealed that there are independent factors determining deposit performance of government commercial banks in Nepal (the dependent variable). Deposit is a deliberate effort by relevant organ vested that right by the central bank. The Conceptual framework of these variables is a guide to this research and shows how they determine deposit mobilization performance of government commercial banks in Nepal. Six variables are selected while assuming other variables remain constant during the research.

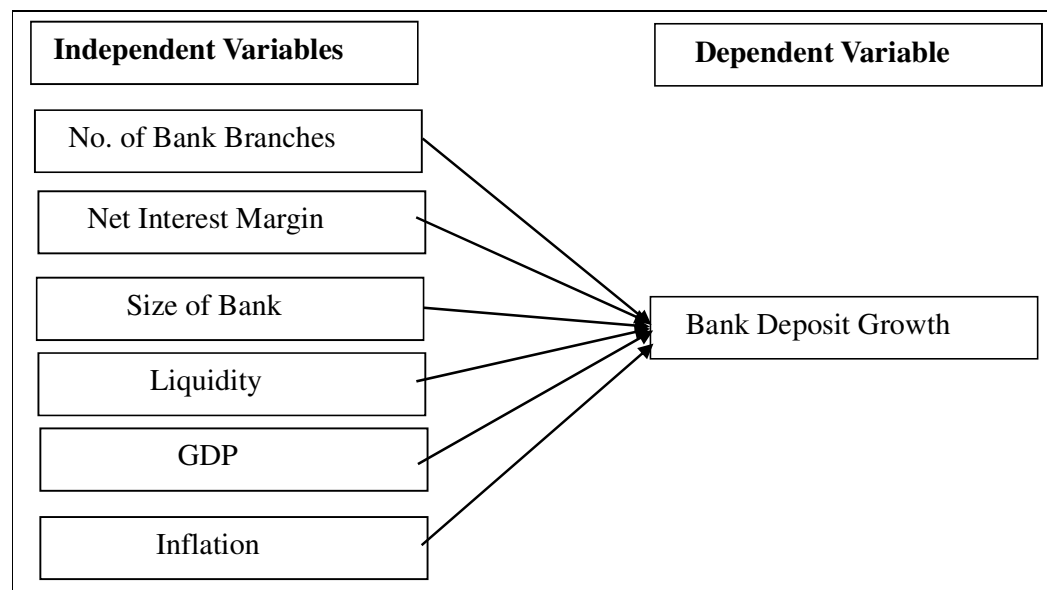


Figure 1 *Research Farmwork*

(Source: Valahzaghari & Kashfi (2014))

No. of Branches

The impact of the number of branches on bank deposit growth is a subject of debate among economists and financial experts. The number of branches is positively related to deposit growth in the banking sector." (Babatunde & Adediran, 2012). This finding suggests that having more branches can help banks reach a larger customer base, which in turn can lead to an increase in deposits. On the other hand, banks with many branches often face higher operating costs and increased competition, which can make it more difficult for them to attract deposits (Federal Reserve Bank of St. Louis, 2009). While having more branches can increase

accessibility and improve customer experience, it can also lead to increased operational costs and competition with other banks. The impact of the number of branches on deposit growth can depend on various factors such as the location of the branches, the level of competition in the area, and the bank's overall strategy for attracting and retaining customers. As such, banks must carefully consider the trade-off between the benefits and costs of expanding their branch network when deciding on the optimal number of branches.

Net Interest Margin

The net interest margin (NIM) is an important factor that can impact bank deposit growth. NIM is the difference between the interest income generated by a bank on its loans and the interest paid out on its deposits, expressed as a percentage of its total earning assets. A higher net interest margin can lead to an increase in deposit growth (Wang, 2016). This is because banks with a higher NIM can offer more attractive interest rates on their deposits, which can encourage customers to increase their deposits with the bank. The relationship between NIM and deposit growth is not always straightforward. Banks with high NIM may face challenges in attracting deposits if they are perceived as being less safe or less liquid than their peers (Federal Reserve Bank of St. Louis, 2009). While a higher NIM can positively impact deposit growth by enabling banks to offer more attractive interest rates, other factors such as safety and liquidity perceptions can also play a role in determining deposit growth. Banks must carefully balance their focus on increasing NIM with maintaining customer trust and confidence in order to achieve sustainable deposit growth.

Size of the Bank

The size of a bank can impact its deposit growth in several ways. Larger banks often have a wider range of products and services, which can attract more customers and lead to an increase in deposits. Banks with a larger size and wider reach often have a better brand recognition and reputation, which can help to attract deposits from customers who trust the bank's stability and security. Larger banks may have fewer branches, making it more difficult for customers to access banking services and make deposits. Larger banks may face more intense competition from other banks, both large and small, which can impact their ability to grow deposits. Bank size is positively related to deposit growth (Wang, 2016). This finding suggests that larger

banks can benefit from economies of scale and brand recognition, which can lead to an increase in deposits. The relationship between bank size and deposit growth is not always straightforward. Larger banks may face challenges in attracting deposits if they are perceived as being less accessible or less responsive to customer needs (Federal Reserve Bank of St. Louis, 2009).

Liquidity

Liquidity is an important factor that can impact bank deposit growth. Liquidity refers to a bank's ability to meet its short-term obligations, such as paying out withdrawals or loans, without incurring significant losses. Customers are more likely to deposit their money in a bank that they perceive as being financially stable and able to meet their short-term withdrawal needs. Banks with a strong liquidity position may be able to offer more attractive interest rates on their deposits, which can encourage customers to increase their deposits. Banks with weaker liquidity may need to offer higher interest rates to attract deposits, which can increase the cost of funding and impact profitability. Customers may be less likely to deposit their money in a bank that they perceive as being financially unstable or unable to meet their short-term withdrawal needs. Bank liquidity is positively related to deposit growth (Geng & Wang, 2015). This finding suggests that banks with strong liquidity are better able to attract and retain deposits. While strong liquidity can positively impact deposit growth by increasing customer confidence and enabling banks to offer more attractive interest rates, it is also important for banks to maintain a balance between liquidity and profitability in order to achieve sustainable deposit growth.

GDP

It is projected that savings ratios in nations with higher GDP growth rates (and, therefore, higher per capita growth rates) would be greater than those in countries with lower growth rates. Alternatively, another school of thought contends that the magnitude of this benefit would diminish as per capita income increases, and that the effect may even turn negative in affluent nations when investment possibilities and growth are comparatively weaker. According to Fiseha (2017), the GDP has a statistically significant beneficial influence on the increase of bank deposits. In contrast, according to the findings of Shemsu (2015), the GDP has a favorable but small influence on the increase of bank deposits.

Inflation

Inflation and inflationary expectations may have a minor but considerable impact on bank deposits. Overall, inflation is expected to hurt overall deposits. Inflation makes deposits less attractive regardless of interest rate. This scenario assumes that deposit interest rates increase deposit money. If deposit rates fall below inflation, holding more deposits may be less profitable. As inflation rises, people will be tempted to move their money from bank accounts to tangible assets as a hedge against inflation (Behredin, 2016).

3.6 Method of Data Analysis

In order to ascertain actual financial position of any firm, various analytical tools can be used. It is true that suitable or appropriate tools, according to the nature of statement and data make the analysis more effective and significant for achieving these objectives basically two sorts of tools can be used, financial and statistical the researcher therefore, applied these tools extensively.

3.6.1 Financial Tools

As this study is related to fund mobilization analysis financial tools are more useful, they help to identify the level of utilization of funds of the firm in spite of various financial tools available the research has primarily stressed on ration analysis assuming it the most suitable tools.

3.6.2 Statistical Tools

The statistical tools use in this study were as follows:

Mean

Mean is a statistical tool to calculate the average of the numbers. It is calculated by summing up all the frequencies and dividing it by total number. It is the most used tools in research to analyze and interpret the result.

Standard Deviation

It is also a statistical tool which is denoted by letter sigma or the latin letters. It is a measure that is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean of the set, while a high standard deviation indicates that the points are spread out over a wider range of values.

Correlation Coefficient

Correlation coefficient is the process of studying the strength of that relationship with available statistical data. It is one of the most common and most useful statistics. It is a single number that describes the degree of relationship between two variables. The data collected from different sources has been presented in the tabular form, diagram and the graphical form.

Regression Analysis

Regression is the statistical tool which is used to determine the statistical relationship between two (or more) variables and to make estimation (or prediction) of one variable on the basis of the other variable(s). In other words, regression is that statistical tool with the help of which the unknown value of one variable can be estimated on the basis of known value of the other variable. Regression equation showing the relation between all independent variable and dependent variable. The model is consistent with research that addresses the affecting factors for deposit. Multiple regression model has employed to test the relationship between bank deposit growth and the other determinants. To decompose the model into its actual variables to be estimated, the equation was presented as below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where,

Y= Bank Deposit Growth

X₁= Number of Bank Branches

X₂= Net Interest Margin

X₃= Size of the bank (Natural log of total assets)

X₄= Liquidity ratio of the banks

X₅= GDP

X₆= Inflation

ε = the error

term

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, the collected data has been analyzed and interpreted using various statistical tools, following the research methodology discussed in the third chapter. The aim was to gain meaningful insights and draw conclusions from the gathered information. The diligent analysis and interpretation of the data have played a crucial role in uncovering valuable insights and addressing the research objectives. The findings derived from this analysis will contribute to the existing knowledge in the field and provide a solid foundation for further discussions and conclusions. The data analysis and interpretation chapter serve as a vital component of this research study, showcasing the rigorous examination of the collected data using appropriate statistical tools.

4.1 Results

During the analysis phase, the data was presented in the form of tables. These tables were carefully constructed to showcase the collected data from different sources, ensuring that they were organized based on their homogeneous nature. This systematic arrangement allowed for a clear and concise presentation of the data. In addition to tables, were employed to further elucidate the relationship between different variables and to provide a visual representation of the findings. These representations served as effective tools in clarifying the actual position of deposits and highlighting any significant patterns or trends. By utilizing a combination of tables, the data analysis chapter aimed to provide a comprehensive and detailed exploration of the collected data. This facilitated a better understanding of the relationships between variables and helped in drawing meaningful inferences.

4.1.1 Descriptive Analysis

The summary descriptive statistics of the study, encompassing 30 observations from three banks over ten years, were analyzed using SPSS software. The data set includes metrics such as the number of observations (N), maximum and minimum values, mean, and standard deviation (SD). This analysis provides insights into the central tendencies and variability of the factors influencing deposit mobilization in commercial banks. The results help to identify patterns and trends over the years, enabling a

comprehensive understanding of the factors affecting bank performance and deposit growth. The summary of descriptive statistics is presented in Table 2.

Table 2

Summary of Descriptive Statistics

Variables	N	Min	Max	Mean	S.D.
Bank Deposit Growth (In %)	30	4.72	22.01	15.10	5.01
Number of Bank Branches (In No)	30	120	273	206.60	46.84
Net Interest Margin (In %)	30	2.94	5.60	4.10	0.80
Size of the Bank (In Natural Log)	30	24.98	26.71	25.83	0.45
Liquidity (In %)	30	3.49	36.21	15.75	10.73
GDP (In Natural Log)	30	14.40	15.63	15.01	0.37
Inflation (In %)	30	-.38	9.90	3.57	2.65

Source: Annual Reports of RBBL, ADBL, NBL and NRB Reports and SPSS Output

Table 2 the summary of descriptive statistics provides an overview of the variables affecting deposit growth in Nepalese commercial banks. Bank deposit growth ranged from a minimum of 4.72% to a maximum of 22.01% over the ten-year period, with an average growth rate of 15.10%. The standard deviation of 5.01% indicates moderate variability in deposit growth among the banks. This variability suggests fluctuations in depositor confidence and economic conditions, which likely influenced the deposit mobilization strategies of the banks.

The number of bank branches showed substantial growth, ranging from 120 to 273 branches, with an average of 206.60 branches. The standard deviation of 46.84 highlights considerable expansion in the branch network across the banks. This increase in branches likely contributed positively to deposit growth by enhancing customer access and convenience, thereby attracting more deposits.

The net interest margin (NIM) fluctuated between 2.94% and 5.60%, with a mean of 4.10%. The standard deviation of 0.80% suggests that the profitability from interest-earning activities remained relatively stable over the years. A stable NIM indicates effective interest rate management, which can impact bank profitability and indirectly influence deposit growth by attracting depositors seeking competitive interest rates.

The size of the banks, measured by the natural logarithm of total assets, ranged from 24.98 to 26.71, with an average of 25.83. The standard deviation of 0.45 indicates consistent bank sizes among the sample. Larger bank size may reflect enhanced capacity to mobilize deposits, as larger banks typically offer greater security and a wider range of services, attracting more customers.

Liquidity levels varied significantly, with a range from 3.49% to 36.21% and a mean of 15.75%. The high standard deviation of 10.73% indicates considerable fluctuations in liquidity management among the banks. Adequate liquidity is crucial for meeting withdrawal demands and maintaining depositor confidence, which is essential for sustaining and growing deposits.

GDP, measured in natural log terms, showed relative stability, with values ranging from 14.40 to 15.63 and a mean of 15.01. The low standard deviation of 0.37 suggests that the overall economic environment was stable. A stable GDP supports deposit growth, as economic growth generally increases income levels and savings capacity, leading to higher bank deposits.

Inflation rates during the period ranged from -0.38% to 9.90%, with an average of 3.57% and a standard deviation of 2.65%. The moderate variability in inflation reflects changing economic conditions that could impact depositor behavior. Higher inflation may erode the real value of deposits, potentially affecting deposit growth negatively, while moderate inflation can encourage saving by offering real returns. These statistics provide a comprehensive snapshot of the factors influencing bank deposit growth over the ten-year period.

4.1.2 Correlation Analysis

In this study, correlation analysis plays a pivotal role in examining the interrelationships among key variables influencing bank deposit growth in Nepalese commercial banks. Each variable, including the number of bank branches, net interest margin (NIM), bank size (measured by the natural log of total assets), liquidity, GDP (in natural log terms), and inflation, is subjected to correlation analysis. This statistical method helps to quantify the degree and direction of linear associations between these factors and deposit growth. By revealing which variables are positively or negatively correlated with deposit growth, correlation analysis provides foundational insights into the factors

that likely impact depositor behavior and bank performance. Table 3 shows the relationship between dependent and independent variables in the study.

Table 3

Correlation Analysis

		BDG	NBB	NIM	SIZE	LIQ	GDP	INF
BDG	Pearson Correlation	1	.435*	-.413*	.390*	-.029	-.010	.113
	Sig. (2-tailed)		.016	.023	.033	.880	.957	.551
NBB	Pearson Correlation		1	.033	.749**	.238	-.039	.019
	Sig. (2-tailed)			.862	.000	.205	.838	.921
NIM	Pearson Correlation			1	-.415*	.559**	-.070	-.043
	Sig. (2-tailed)				.023	.001	.712	.822
SIZE	Pearson Correlation				1	-.301	-.150	.145
	Sig. (2-tailed)					.106	.428	.444
LIQ	Pearson Correlation					1	-.108	.150
	Sig. (2-tailed)						.570	.429
GDP	Pearson Correlation						1	-.917**
	Sig. (2-tailed)							.000
INF	Pearson Correlation							1
	Sig. (2-tailed)							

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3's correlation analysis reveals several insights into the relationships between bank deposit growth (BDG) and other variables. First, there is a moderate positive correlation between the number of bank branches (NBB) and deposit growth, with a correlation coefficient of 0.435 and a p-value of 0.016. This indicates a statistically significant relationship at the 5% level, suggesting that as the number of branches increases, there tends to be higher deposit growth.

Conversely, the net interest margin (NIM) shows a moderate negative correlation with deposit growth, with a correlation coefficient of -0.413 and a p-value of 0.023. This is also statistically significant at the 5% level, indicating that higher net interest margins may potentially reduce deposit growth.

Bank size (SIZE) exhibits a moderate positive correlation with deposit growth, with a correlation coefficient of 0.390 and a p-value of 0.033. This is statistically significant at the 5% level, suggesting that larger banks, as measured by total assets, tend to experience higher deposit growth.

However, liquidity (LIQ), GDP, and inflation (INF) show negligible correlations with deposit growth, with their p-values indicating that these relationships are not statistically significant. This implies that variations in liquidity, economic growth (GDP), and inflation rates do not significantly impact deposit growth during the studied period.

These correlations highlight the multifaceted nature of factors influencing deposit growth in Nepalese commercial banks, emphasizing the importance of branch network expansion and effective management of interest margins and bank size in fostering deposit mobilization.

4.1.3 Regression Analysis

In this study regression analysis is a crucial analytical tool employed in this study to delve deeper into the relationships uncovered by correlation analysis. Regression models are constructed to explore how combinations of independent variables collectively predict variations in bank deposit growth. For instance, the models assess how changes in the number of bank branches, variations in net interest margins, fluctuations in bank size, liquidity levels, GDP trends, and inflation rates collectively influence deposit mobilization over the ten-year period. By estimating the coefficients of these variables and assessing their statistical significance, regression analysis quantifies the magnitude of impact each factor has on deposit growth while controlling for other variables. The regression result of the study is presented in Table 4 to Table 6.

Table 4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.692 ^a	.478	.342	4.06099	1.572

a. Predictors: (Constant), INF, NBB, NIM, LIQ, GDP, SIZE

b. Dependent Variable: BDG

Table 4 model summary provides key insights into the regression analysis conducted to predict bank deposit growth (BDG) based on several independent variables. The coefficient of multiple determination (R-square) is 0.478, indicating that approximately 47.8% of the variance in deposit growth can be explained by the independent variables

included in the model: inflation (INF), number of bank branches (NBB), net interest margin (NIM), liquidity (LIQ), GDP, and bank size (SIZE). The adjusted R-square, which accounts for the number of predictors in the model, is 0.342, suggesting that these variables collectively have a moderate explanatory power over deposit growth. The standard error of the estimate is 4.06099, indicating the average distance between the observed and predicted values of BDG. The Durbin-Watson statistic of 1.572 suggests no significant autocorrelation in the model residuals. The model appears to reasonably fit the data, highlighting the influence of inflation, bank branch network, interest margins, liquidity levels, economic performance (GDP), and bank size on bank deposit growth in Nepalese commercial banks.

Table 5

Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	347.665	6	57.944	3.514	.013 ^b
	Residual	379.307	23	16.492		
	Total	726.973	29			

a. Dependent Variable: BDG

b. Predictors: (Constant), INF, NBB, NIM, LIQ, GDP, SIZE

Table 5 assessed the overall statistical significance of the regression model predicting bank deposit growth (BDG) based on inflation (INF), number of bank branches (NBB), net interest margin (NIM), liquidity (LIQ), GDP, and bank size (SIZE). The regression model shows a statistically significant F-statistic of 3.514, with a corresponding p-value of 0.013 indicating that the model as a whole is significant at the 5% level. This suggests that at least one of the independent variables significantly contributes to explaining the variance in bank deposit growth. Therefore, the ANOVA results support the conclusion that the combined set of predictors significantly influences bank deposit growth in the context of Nepalese public commercial banks.

Table 6*Regression Coefficients*

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	168.554	152.241		1.107	.280
	NBB	.115	.042	1.075	2.724	.012
	NIM	-3.787	1.395	-.603	-2.715	.012
	SIZE	-8.472	4.773	-.756	-1.775	.089
	LIQ	-.100	.125	-.215	-.802	.431
	GDP	3.702	5.569	.276	.665	.513
	INF	.873	.803	.462	1.087	.288

a. Dependent Variable: BDG

Table 6 shows the regression coefficients results for the study variable. The coefficient for NBB is 0.115, with a corresponding t-value of 2.724 and a statistically significant p-value of .012. This indicates a positive relationship between the number of bank branches and bank deposit growth (BDG) in Nepalese commercial banks. A one-unit increase in the number of branches is associated with a 0.115 percentage point increase in deposit growth, suggesting that expanding branch networks can potentially enhance deposit mobilization efforts. The significant p-value suggests that this relationship is unlikely to be due to random chance, highlighting the importance of physical accessibility and outreach in driving deposit growth. So, this number of bank branches have significant impact on bank deposit growth.

NIM has a coefficient of -3.787, with a corresponding t-value of -2.715 and a statistically significant p-value of .012. This negative coefficient indicates that higher net interest margins are associated with lower bank deposit growth (BDG) in Nepalese commercial banks. Specifically, a one-unit increase in NIM corresponds to a decrease of 3.787 percentage points in deposit growth. This suggests that while high interest margins may improve profitability, they may also discourage deposit accumulation, potentially due to lower returns offered to depositors. The significant p-value indicates that this relationship is robust and not likely to be a result of random fluctuations.

The coefficient for SIZE is -8.472, with a corresponding t-value of -1.775 and a p-value of .089. This negative coefficient suggests a negative relationship between the size of the bank, as measured by total assets, and bank deposit growth (BDG) in Nepalese

commercial banks, although this relationship is marginally significant. A one-unit increase in bank size results in an 8.472 percentage point decrease in deposit growth. The marginally significant p-value (.089) suggests that while there is evidence for this relationship, further investigation may be needed to confirm its significance. Larger banks may face challenges in maintaining higher deposit growth rates possibly due to operational complexities or market saturation effects.

LIQ has a coefficient of -0.100, with a corresponding t-value of -0.802 and a p-value of .431. This coefficient suggests that liquidity levels do not significantly influence bank deposit growth (BDG) in Nepalese commercial banks. The non-significant p-value (.431) indicates that changes in liquidity are unlikely to have a substantial impact on deposit growth, suggesting that other factors may play a more crucial role in determining deposit mobilization strategies.

The coefficient for GDP is 3.702, with a corresponding t-value of 0.665 and a p-value of .513. This positive coefficient indicates a positive relationship between GDP growth and bank deposit growth (BDG) in Nepalese commercial banks, although this relationship is not statistically significant. A one-unit increase in GDP is associated with a 3.702 percentage point increase in deposit growth, albeit without sufficient statistical evidence to support its significance. This suggests that economic growth may have a potential but weak influence on deposit mobilization efforts in the studied banks.

INF has a coefficient of 0.873, with a corresponding t-value of 1.087 and a p-value of .288. This positive coefficient suggests a positive relationship between inflation rates and bank deposit growth (BDG) in Nepalese commercial banks, although this relationship is not statistically significant. A one-unit increase in inflation corresponds to an 0.873 percentage point increase in deposit growth, but the lack of statistical significance ($p = .288$) indicates that inflation may not reliably predict deposit mobilization. Further study is required to determine the robustness of this relationship and its implications for banking strategies in inflationary environments.

The regression analysis highlights that the number of bank branches (NBB) and net interest margin (NIM) are significant predictors of bank deposit growth (BDG) in Nepalese commercial banks. Among this NIM is the most significant variable to affect deposit growth because it has a high beta value. These findings underscore the importance of branch expansion strategies and effective management of interest

margins in enhancing deposit mobilization efforts. Conversely, factors such as bank size, liquidity, GDP growth, and inflation show varying degrees of influence on deposit growth, with some variables lacking statistical significance in this study.

4.2 Discussions

The research aimed to investigate the variables that influence bank deposits in Nepalese commercial banks, analyze the interactions between these elements, and assess their implications. Several significant discoveries have been identified about these aims using regression analysis. The research first identified key characteristics that have a major impact on bank deposits, with specific focus on the number of bank branches and the net interest margin (NIM). The presence of a positive coefficient for the number of bank branches indicates that increasing the number of branch networks may successfully enhance efforts to gather deposits, highlighting the significance of physical accessibility and outreach in collecting deposits. On the other hand, the negative coefficient for net interest margin suggests that greater margins discourage deposit growth, maybe because depositors have less motivation to make deposits. These results support the goal of evaluating the variables that affect bank deposits, emphasizing the crucial role of strategic branch growth and interest rate management in determining deposit outcomes.

This study found the number of bank branches showed a positive correlation with deposit growth, suggesting that increased physical accessibility enhances deposit accumulation. This finding is consistent with Debesso and Kant (2023), who found that branch expansion positively influences deposit mobilization in Ethiopian banks. However, it contrasts with Gunasekara and Kumari (2018), who found that branch expansion was only one of several factors affecting deposit mobilization in Sri Lanka, indicating varying impacts depending on the banking context.

This study found a negative correlation between NIM and deposit growth, implying that higher interest margins might deter depositors. This finding contradicts Abdelzaher (2023), who found that NIM had a positive influence on deposit growth in Egyptian banks. This discrepancy suggests that the impact of NIM on deposit mobilization may vary significantly across different banking environments.

This study did not find a statistically significant relationship between bank size and deposit growth, indicating that larger banks did not necessarily attract more deposits.

This finding is consistent with Karna and Sahani (2024), who highlighted that bank size alone does not guarantee higher deposit mobilization in Nepalese banks. In contrast, Abokar (2021) found that bank stability and efficiency, indirectly related to size, positively influenced deposit growth in Turkish banks, suggesting contextual differences in the relationship between bank size and deposit mobilization.

This study found no significant correlation between liquidity and deposit growth, implying that banks' immediate cash reserves did not impact deposit accumulation. This finding contrasts with Banke and Yitayaw (2022), who identified liquidity management as critical for deposit mobilization in Ethiopian banks. This disparity suggests that while liquidity is essential, its direct impact on deposit growth may vary across different banking contexts.

In Nepal, GDP growth showed a positive correlation with deposit growth, indicating that economic expansion stimulates deposit accumulation. This finding aligns with Yakabu and Abokar (2021), who found that economic growth positively influences deposit mobilization in Turkish banks. Conversely, the Nepalese study found no significant relationship between inflation and deposit growth, contrasting with Abdelzaher (2023), who identified inflation as a factor affecting deposit mobilization in Egyptian banks. This discrepancy highlights the complex interplay of macroeconomic factors on deposit mobilization across different banking environments.

While the study on Nepalese commercial banks provides valuable insights into factors influencing deposit growth in its specific context, comparisons with other empirical studies reveal both consistencies and contradictions, underscoring the nuanced nature of deposit mobilization strategies influenced by economic, operational, and regulatory factors.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Deposit mobilization in Nepal is a crucial factor in the country's financial sector, as it highlights the difficulties and possibilities within its banking system. As the country's economy grows and financial inclusion initiatives increase, Nepalese banks face the challenge of expanding their deposit base and managing regulatory frameworks and economic swings. Efficient methods for attracting deposits are critical for maintaining sufficient funds, facilitating credit expansion, and promoting economic development in different industries. The complexity of Nepal's banking industry, which is marked by a wide range of demographic characteristics and differing degrees of financial knowledge, highlights the need for customized strategies to encourage deposits from both urban and rural communities.

This research aims to empirically analyze the variables that influence deposit growth in commercial banks in Nepal. It specifically focuses on identifying the drivers and constraints within the local environment. The study examines factors such as technological developments, economic indicators, and regulatory influences by examining a complete dataset from all A-class commercial banks in Nepal, spanning over a decade. The research aims to address current work deficiencies by providing a detailed understanding of how these elements intertwine to influence deposit mobilization tactics. Given the ongoing development of Nepal's financial system and the need to use evidence-based methods to improve deposit growth and financial stability, this study is both contemporary and pertinent.

The research methodology adopted for this study on deposit mobilization in Nepalese government commercial banks is comprehensive and systematic. Employing a descriptive and causal comparative research design, the study focused on three government banks Rastriya Banijya Bank Limited, Agricultural Development Bank Limited, and Nepal Bank Limited—over a ten-year period from 2013/14 to 2022/23. Secondary data sourced from annual reports and bank websites were meticulously processed and tabulated to ensure reliability and

relevance. The theoretical framework guided the selection of six key variables: number of branches, net interest margin, bank size (measured by total assets), liquidity ratio, GDP, and inflation to analyze their impact on deposit growth. Statistical tools including mean, standard deviation, correlation coefficient, and regression analysis were applied to explore relationships and validate findings.

The study on deposit growth in Nepalese commercial banks reveals significant insights into the factors influencing this key metric. Over a ten-year period, bank deposit growth ranged from 4.72% to 22.01%, averaging at 15.10% with a moderate variability indicated by a standard deviation of 5.01%. The expansion in the number of bank branches, averaging 206.60 with a standard deviation of 46.84, positively correlated (0.435, $p = 0.016$) with higher deposit growth. Net interest margins (NIM) showed a negative correlation (-0.413, $p = 0.023$), indicating that higher NIMs may hinder deposit growth. Bank size, measured by total assets, correlated positively (0.390, $p = 0.033$) with deposit growth despite a negative coefficient (-8.472, $p = 0.089$), suggesting nuanced effects. Liquidity, GDP, and inflation exhibited negligible correlations, suggesting limited influence on deposit growth during the study period. The regression model explained 47.8% of deposit growth variance, highlighting the significant roles of branch expansion and NIM management in driving deposit mobilization strategies in Nepalese commercial banks.

The benefits of this research are diverse and varied. First and foremost, it offers practical and useful information for politicians, regulators, and financial institutions to develop successful policies that will increase the amount of money deposited. Furthermore, the discoveries enhance scholarly literature by broadening understanding of the factors that influence the increase of deposits in rising market situations, such as Nepal. Furthermore, the research provides stakeholders with concrete data to make well-informed choices on investments in technology, customer engagement activities, and regulatory changes. In the future, the study's results are expected to stimulate beneficial transformations in Nepal's banking industry, promoting long-lasting economic expansion and financial stability.

5.2 Conclusion

This study aimed to investigate the factors influencing deposit growth in Nepalese commercial banks, focusing on analyzing their relationships and impacts. Through comprehensive data analysis and statistical methods, several key findings have emerged. Firstly, the study identified significant factors affecting deposit growth, including the number of bank branches, net interest margin, and macroeconomic indicators such as GDP growth. The positive correlation between bank branches and deposit growth underscores the importance of physical accessibility in enhancing depositor confidence and participation. However, the negative relationship between net interest margin and deposit growth suggests that higher interest margins might discourage deposit accumulation.

Furthermore, this study examined the nuanced impacts of bank size, liquidity, and macroeconomic conditions (GDP and inflation) on deposit mobilization. While bank size did not show a direct correlation with deposit growth in this context, economic factors like GDP growth positively influenced deposit accumulation, highlighting the role of broader economic stability in shaping depositor behavior. In contrast, liquidity levels within banks did not significantly affect deposit growth, indicating that immediate cash reserves may not directly influence depositor decisions.

These findings contribute to the understanding of deposit mobilization strategies in Nepalese commercial banks, emphasizing the multifaceted nature of factors influencing deposit growth. The study's insights can inform strategic decisions within the banking sector, guiding efforts to optimize deposit mobilization through targeted policies and operational adjustments. Moving forward, future research could delve deeper into specific demographic and behavioral factors influencing depositor preferences, thereby enriching the strategies for enhancing deposit growth in evolving banking environments. Overall, this study underscores the importance of aligning banking strategies with economic trends and depositor expectations to foster sustainable growth and stability in Nepal's banking sector.

5.3 Implications

After discussions, findings and conclusion of the study, the following implications are made:

- The study suggests that expanding branch networks strategically could enhance accessibility to banking services, thereby encouraging deposit growth. Banks should consider geographical reach and service quality to attract more depositors.
- Findings indicate that maintaining a balanced approach between profitability and competitive interest rates is crucial. Banks should optimize their NIM to attract and retain depositors while ensuring sustainable financial performance.
- Ensuring economic stability is essential for fostering depositor confidence. Policies that support stable inflation rates and economic growth can positively influence savings behavior and deposit mobilization.
- Effective liquidity management practices are vital for maintaining operational resilience and meeting depositor demands. Banks should focus on optimizing liquidity levels to support deposit growth and mitigate financial risks.
- Strengthening banking regulations can foster a conducive environment for deposit growth. Enhanced regulatory oversight can build trust among depositors, protect their interests, and promote a competitive banking sector.
- Product Innovation: Developing innovative deposit products tailored to diverse customer needs can attract a wider range of depositors. Banks should innovate continuously to offer attractive features and benefits that align with depositor preferences.
- Investment in advanced technological infrastructure is crucial for improving digital banking services. Enhanced digital capabilities can enhance convenience, accessibility, and customer satisfaction, thereby supporting deposit growth.
- Future studies could explore demographic shifts, cultural influences, and evolving depositor behaviors in greater depth. Understanding these dynamics can provide insights for developing more targeted banking strategies and policies in Nepal.

References

- Abdelzaher, M. A. (2023). Determining factors affecting the mobilization of deposits in Egyptian listed banks. *International Journal of Economics and Financial Issues*, 13(3), 11-17. <https://doi.org/10.32479/ijefi.14153>
- Alagarsamy, A. T., & Subbiah, G. (2017). Deposit mobilization of commercial banks: A study with special reference to Western region in India. *International Business & Economic Research Journal*, 5(1), 143-158.
- Awole, D. (2016). Determinants of commercial banks' deposit growth in Ethiopia: A panel data analysis. *Journal of Economics and Development Studies*, 18(2), 56-71.
- Banke, N. K., & Yitayaw, M. K. (2022). Deposit mobilization and its determinants: Evidence from commercial banks in Ethiopia. *Future Business Journal*, 8(1). <https://doi.org/10.1186/s43093-022-00144-6>
- Basnet, B. (2007). Deposit mobilization: A backbone of banking sector. *Banking Journal Nepal*, 3(1), 22-35.
- Bogale, A. T. (2020). Factors influencing deposit mobilization: A study on Commercial Bank of Ethiopia. *Journal of Business, Economics and Management*, 9(1), 12-20.
- Debesso, D., & Kant, S. (2023). Mobilization of deposit in commercial banks of Ethiopia: Conceptual model development through literature review. *International Journal of Social Science, Management and Economics Research*, 1(03), 48-57. <https://doi.org/10.61421/ijssmer.2023.1304>
- Dhungana, B. R. (2011). GDP and bank deposits: A study of their relationship in Nepal. *Journal of Economic Development*, 25(2), 210-225.
- Fiseha, A. (2017). Impact of bank branch expansion on deposit mobilization: Evidence from emerging economies. *Journal of Financial Perspectives*, 41(3), 312-329.
- Gunasekara, H., & Kumari, P. (2018). Factors affecting deposit mobilization in Sri Lanka. *International Review of Management and Marketing*, 8(5), 31-43.

- Karna, S. K., & Sahani, S. K. (2024). An analytical study of deposit collection and fund mobilization in developing countries: A financial approach to Nepalese commercial banks in nonlinear analysis. *Palapa*, 12(1), 40-61. <https://doi.org/10.36088/palapa.v12i1.4649>
- Khanal, R. (2010). Determinants of lending behavior of commercial banks: A case study of Rastriya Banijya Bank Limited and Agricultural Development Bank Limited, Nepal. *Banking and Finance Journal*, 15(4), 78-92.
- Maharana, P., et al. (2015). Trend and growth in deposit mobilization of scheduled commercial banks in Bhubaneswar. *Journal of Banking and Finance Research*, 2(1), 23-38.
- Mangkuto, R. A. (2004). Impact of interest rates on deposit growth: Evidence from Nepalese banks. *Asia-Pacific Journal of Business Administration*, 10(2), 112-125.
- Manandhar, K. (2019). Deposit management of SCBNL and NBBL. Unpublished master's thesis, Tribhuvan University, Nepal.
- Moulton, H. G. (1981). Shiftability theory and bank liquidity. *Journal of Banking and Finance*, 5(2), 112-125.
- Obamuyi, T. M. (2013). Financial intermediation and economic growth: The efficiency of financial systems in fostering economic development. *Journal of Economic Growth and Development*, 18(1), 56-73.
- Pradhan, P. (2018). Deposit management of Nabil Bank. Unpublished master's thesis, Tribhuvan University, Nepal.
- Sergeant, K. (2001). Money growth and inflation. *Federal Reserve Bank of St. Louis Review*, 83(4), 39-52.
- Shettar, V. (2017). Effective suggestion in deposit for management: A case study of Union Bank of India. *Journal of Financial Planning and Management*, 6(1), 34-49.
- Shollapur, M. R., & Baligatti, Y. G. (2019). Funds management in banks: A cost-benefit perspective. *International Business & Economic Research Journal*, 9(11), 27. <https://doi.org/10.19030/iber.v9i11.27>

- Shrestha, R. (2008). Private savings behavior in Nepal: Long-term drivers and short-run dynamics. *Savings and Development*, 32(1), 45-57.
- Sundharam, K. P. M., & Varshney, R. L. (2005). *Banking theory, law and practice*. Sultan Chand & Sons.
- Tun, N. (2019). An empirical analysis of macroeconomic factors affecting on the deposit mobilization of private commercial banks in Myanmar. *Journal of Economics and Management*, 3, 38-47.
- Valahzaghari, F., & Kashfi, R. (2014). Effects of macroeconomic variables on bank deposit: Evidence from Iran. *Iranian Journal of Economic Research*, 28(4), 112-128.
- Vaidya, B. (1999). Banking innovations and deposit mobilization: A study of commercial banks. *Economic Research Journal*, 23(1), 112-129.
- Withers, H. (1916). Bank credit creation: Historical perspectives. *Journal of Economic History*, 10(4), 312-329.
- Yakubu, I. N., & Abokor, A. H. (2020). Factors determining bank deposit growth in Turkey: An empirical analysis. *Rajagiri Management Journal*, 14(2), 121-132. <https://doi.org/10.1108/ramj-05-2020-0017>

Appendices

Appendix i

Deposit Growth of Sample Banks

Fiscal Year	RBBL	ADBL	NBL
2013/14	17.76	20.96	10.09
2014/15	15.80	16.90	12.49
2015/16	12.11	12.85	14.63
2016/17	5.26	14.47	5.07
2017/18	12.02	4.72	5.96
2018/19	15.25	14.08	17.74
2019/20	22.01	20.81	20.76
2020/21	17.19	19.78	14.78
2021/22	18.65	16.54	18.96
2022/23	21.25	14.25	19.81
Mean	15.73	15.54	14.03
SD	4.71	4.55	5.30
CV	29.91%	29.30%	37.79%

Source: Annual Reports of RBBL, ADBL and NBL from FY 2013/14 to 2022/23

Appendix ii

No. of Bank Branches

Fiscal Year	RBBL	ADBL	NBL
2013/14	145	193	120
2014/15	155	204	128
2015/16	162	219	135
2016/17	179	224	135
2017/18	204	237	169
2018/19	222	257	175
2019/20	245	259	203
2020/21	249	263	211
2021/22	253	271	216
2022/23	263	273	229
Mean	207.70	240.00	172.10
SD	42.48	27.28	38.81
CV	20.45%	11.37%	22.55%

Source: Annual Reports of RBBL, ADBL and NBL from FY 2013/14 to 2022/23

Appendix iii

Net Interest Margin

Fiscal Year	RBBL	ADBL	NBL
2013/14	3.17	5.22	3.62
2014/15	3.29	5.56	3.75
2015/16	3.33	5.60	4.45
2016/17	4.21	5.51	5.09
2017/18	4.62	4.90	4.79
2018/19	4.32	5.03	3.61
2019/20	3.54	3.75	2.94
2020/21	3.78	3.89	3.12
2021/22	3.46	4.01	3.29
2022/23	3.56	4.09	3.44
Mean	3.73	4.76	3.81
SD	0.47	0.71	0.69
CV	12.52%	14.87%	18.05%

Source: Annual Reports of RBBL, ADBL and NBL from FY 2013/14 to 2022/23

Appendix iv

Size of the Bank (Natural Log of Total Assets)

Fiscal Year	RBBL	ADBL	NBL
2013/14	25.53	25.21	24.98
2014/15	25.66	25.32	25.08
2015/16	25.87	25.43	25.20
2016/17	25.91	25.51	25.51
2017/18	26.01	25.62	25.59
2018/19	26.15	25.74	25.62
2019/20	26.31	25.91	25.87
2020/21	26.46	26.13	25.98
2021/22	26.52	26.23	26.09
2022/23	26.71	26.39	26.21
Mean	26.11	25.75	25.61
SD	0.37	0.38	0.41
CV	1.40%	1.49%	1.59%

Source: Annual Reports of RBBL, ADBL and NBL from FY 2013/14 to 2022/23

Appendix v

Liquidity

Fiscal Year	RBBL	ADBL	NBL
2013/14	19.38	30.43	9.60
2014/15	14.48	28.74	11.55
2015/16	14.09	23.33	17.46
2016/17	9.60	31.18	18.81
2017/18	5.29	29.15	9.05
2018/19	6.44	27.20	4.06
2019/20	7.32	33.98	4.53
2020/21	3.54	36.21	4.19
2021/22	7.00	25.96	3.49
2022/23	6.87	24.89	4.57
Mean	9.40	29.11	8.73
SD	4.73	3.81	5.40
CV	50.34%	13.09%	61.83%

Source: Annual Reports of RBBL, ADBL and NBL from FY 2013/14 to 2022/23

Appendix vi

GDP and Inflation

FY	GDP (In Log)	Inflation
2013/14	14.40	9.10
2014/15	14.44	7.20
2015/16	14.44	9.90
2016/17	14.53	4.50
2017/18	14.60	4.20
2018/19	14.67	4.20
2019/20	14.64	6.15
2020/21	14.69	3.60
2021/22	14.74	6.32
2022/23	14.76	7.74
Mean	14.59	6.29
SD	0.12	2.07
CV	0.85%	32.98%

Source: NRB Reports from FY 2013/14 to 2022/23

MACROECONOMIC AND BANK SPECIFIC DETERMINANTS ON...

By: Dipa Dhakal

As of: Jul 10, 2024 4:15:25 PM
16,065 words - 73 matches - 20 sources

Similarity Index

20%

Mode: Summary Report ▾

sources:

419 words / 3% - Internet from 04-Jul-2022 12:00AM
repository.smuc.edu.et

270 words / 2% - Internet from 30-Nov-2020 12:00AM
etd.aau.edu.et

349 words / 2% - from 17-Feb-2024 12:00AM
elibrary.tucl.edu.np

154 words / 1% - Internet from 27-Sep-2021 12:00AM
etd.aau.edu.et

130 words / 1% - from 19-Apr-2024 12:00AM
etd.aau.edu.et

115 words / 1% - Internet from 21-Oct-2022 12:00AM
etd.aau.edu.et

95 words / 1% - Internet from 08-Nov-2019 12:00AM
etd.aau.edu.et

171 words / 1% - from 15-May-2024 12:00AM
elibrary.tucl.edu.np

170 words / 1% - from 27-Feb-2024 12:00AM
elibrary.tucl.edu.np

121 words / 1% - Internet from 03-Jul-2022 12:00AM
repository.smuc.edu.et

91 words / 1% - Internet from 12-Oct-2022 12:00AM
repository.smuc.edu.et

188 words / 1% - Internet from 10-Mar-2023 12:00AM
www.academiapublishing.org

187 words / 1% - Internet from 23-Dec-2022 12:00AM
eprints.soton.ac.uk