

# **DEPOSIT MOBILIZATION OF COMMERCIAL BANKS IN NEPAL**

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fulfillment of the requirements for the Master's Degree

**By**

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### **Certification of Authorship**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Deposit Mobilization of Commercial Banks in Nepal**”. 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 has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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### **Report of Research Committee**

Ms. Sumitra Maharjan has defended research proposal entitled “**CAMEL Analysis of Nepalese Commercial Banks**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Prof. Ajaya Prasad Dhakal and submit the thesis for evaluation and viva voce examination.

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### **Approval Sheet**

We have examined the dissertation entitled “**Deposit Mobilization of Commercial Banks in Nepal**” presented by Sumitra Maharjan for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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## CHAPTER I

### INTRODUCTION

#### 1.1 Background of the study

Nepal is one of the least developed countries in the world with only a per capita income of about \$ 1068. The economic prosperity of the nation is vulnerable owing to the lack of economic resources mainly capital investment, technological backwardness, slow rate of national economic growth, improper plan and strategy development, lack of effective and trained human resources. For proper and efficient utilization of resources, it needs proper plan and strategy development and for plan, huge amount of capital investment is required. Due to low per capita income, Nepal lacks the adequate capital for its development planning (CBS, 2021).

For the development of any country first, it is required to have enough capital. Capital formation is one of the important factors in economic development and it is the backbone for the development of the nation. Capital occupies the central and strategies position in the process of economic development in an underdeveloped economy. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation and balance of payments and making the economy free from the burden of foreign debts. Domestic capital formation helps in making a country self-sustainable. One of the main factors, which help capital formation, is the accumulation of capital for which the financial sector of the country is responsible and must be strong (Khadka, 2018).

During the last two decades, the banking sector all around the world has experienced some profound changes, as innovations in technology and the inevitable forces driving globalization which creates both opportunities for growth and challenges for banking industry to remain profitable in this increasingly competitive environment. These major transformations in competitive environment result in significant impacts on its performance. Bank performance has substantive repercussions (effects) on investment, firm growth, industrial expansion and economic development. Profitability is necessary for a bank to maintain ongoing activity and for its shareholders to obtain fair returns. Thereby, both external and internal factors have been affecting the profitability of banks over time. Therefore, the determinants of

bank performance have attracted the interest of academic research as well as of bank management (Pallavi & Saluja, 2017).

The soundness of financial system, especially the banking system, is a key part of the infrastructure for strong macroeconomic and monetary policy performance at the national level. The determinants of profitability are well observed and explored but the definition of profitability differs in many studies. In past, researchers have tried to find out the determinants of profitability for banking sector, some researchers considered only the banking characteristics, whereas others included the financial structure and macroeconomic factors as well. In all these studies the contribution had been made in determining the factors that evaluate the profitability of the finance companies (Sthapit & Maharjan, 2012).

Financial institutions in the economy play a crucial role in the process of economic growth of the country. Financial institution refers to a business concern, which is mainly confined to finance for the development of trade, commerce and industry. It is a vast field comprising of banks, co-operatives, insurance companies, financial companies, stock exchange, foreign exchanges markets, mutual funds etc. These institutions collect idle and scattered money from the general public and finally invest in different enterprises of the national economy that consequently help in reducing poverty, increase in life style of people, increase employment opportunities and thereby developing the society and the country as a whole. Investment promotes economic growth and contributes to a nation's wealth. Thus, the financial institutions and commercial banks have become one of the bases for measuring the level of economic development of nation. Recognizing the true fact of developing the country, Nepal cannot ignore the importance of commercial banks (Neupane, 2020).

Bank is a financial institution, which primarily deals in borrowing and lending. Banking is a vital part of national economy's financial resources and extension of credit to the business and service enterprises. There are various types of bank working in modern banking system in Nepal. It includes central, commercial, development, financial, co-operative and micro finance banks. Commercial banks collect the saving of people in the form of deposit collection and invest it in the productive area. They give loan to the people. They mobilize the deposit collected from people. When people deposit money in a saving account in a bank for example, the bank must invest

by lending the funds of various business companies. These firms in return, may invest the money in new factories and equipments to increase their production. In addition borrowing from the banks, most issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bonds to obtain funds to invest in such project, as the construction of dams, roads and schools. All such investments by individuals, business and government involves a presto sacrifice of income to get an expected future benefits. As a result, investment raises a nation's standard of living (The World Book Encyclopedia, 1966).

The development process of country involves the mobilization and development of resource. In developing countries, the rate of saving is quite low and existing institutions are half successful in mobilizing such savings as most people have incomes so low that vertically all current income must be spent in maintaining a subsistence level of consumption (Higgins, 1968). People have no idea about the investment in productive line. There also exists a problem of mobilizing the available resources in the most efficient manner with the aim of realizing highest possible productivity out of them. Therefore, the performance of the banking industry is very significant in view of the tremendous role banks play in the economy that depends mainly on deposit mobilization (Neupane, 2020).

Deposit mobilization is the heart of banking operations in the financial sector. It enables banks to increase working capital, increase loan packages for clients, buy quality assets to provide quality services, meet reserve requirement with the central bank etc. The banks are the most capable institutions of mobilization of funds because of their widespread branch networks, which gather unutilized funds in a form of savings. Banks as financial intermediaries bring savers and investors and lenders and borrowers together, they create money and administer the payment system. In the other words, investing the collected fund in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount (Panta, 2020).

The main focus of the study is on deposit mobilization of commercial banks and its proper utilization that is essential for the economic development of developing countries like Nepal. The study will focus on commercial banks of Nepal. Commercial banks collect the saving of general people that is in small scattered form

and utilize these deposits in further production of the country. This study focuses on the study of deposits and lending, characteristics of deposits and loans, their general trends and efficiency of mobilization of its scattered deposits.

## **1.2 Problem Statement and Research Questions**

Banks having higher operating expenses have higher net interest margin and profitability levels. Net interest margin is the major variable in the financial system and higher interest margins can discourage people from depositing money because too low returns on deposit can result in decreasing financing in borrowers thus affecting the overall economy. Similarly changes in the level of gross domestic product and rate of inflation also cause increase in interest rates. Bank's profitability has positive relationship with deposit mobilization (Jana & Lace, 2018).

In context of Nepal, the health of the banking sector is very important because the financial market is not highly developed and sound financial performance of commercial bank is significant for development of a country and due to which the study showed that the debt to equity ratio should neither be highly leveraged to create too much financial obligation that lie beyond capacity to meet nor should it be much low levered to infuse operational strategy to bypass responsibility without performance. Nepalese banking sector is facing a problems such as spread in liquidity, and large number of consortium loan. In order to cope with this problem Nepal Rastra Bank (NRB) has directed the banking institutions to go in the process of mergers and acquisitions to promote financial stability and mobilize the deposit needed for long term development by improving performance.

Nepal is an economically backward country that lags behind in infrastructure, technology and development as a whole. For the economic development of the country, capital accumulation and investment plays a vital role. In a country like Nepal, financial sector mainly banking is the dependable and permanent source of capital accumulation and its deposit mobilization. The need of deposit mobilization for economic development of the country is no more to question. Deposit mobilization has become a major challenge in the present competitive financial environment of Nepalese financial market. There are already 27 commercials banks in operation in Nepal that are considered to be vital financial institutions to mobilize

domestic resources. Thus, the study of general trend of deposit collection and mobilization is essential to know the overall performance of banks on which the economy of the nation heavily depends on. Following are the research questions of the study:

- i What is the trend of deposits and lending in the commercial banks of Nepal?
- ii What is the composition of the total deposits in the commercial banks of Nepal?
- iii What is the relationship between deposit collection and lending in the commercial banks of Nepal?
- iv What is the composition of total loan and advances over total deposit in the commercial banks of Nepal?

### **1.3 Objectives of the study**

The main objective of this study is to examine and interpret the deposit mobilization by commercial banks of Nepal. The specific objectives are as follows:

- i To examine the trend of deposits and lending of the commercial banks in Nepal.
- ii To examine the composition of the total deposits of the commercial banks.
- iii To identify the relationship between deposit collection and lending of the commercial banks.
- iv To analyze the impact of total deposit on total loan and advances of the commercial banks.

### **1.4 Rationale of the study**

Banks and other financial institutions play important role for the development of the economy of the country. An inefficient banking sector ultimately disrupts the nation's economy since commercial banks collect savings from public (deposit) and utilize these deposits to fulfill the financial needs of the different sectors of the economy. As such, study done in banking sector especially mobilization of scattered public savings in the form of deposits is important.

The study would be beneficial as it provides insight for bank owners and policy makers, on factors that determine bank performance and efficient utilization of

resources, for sustainable competitiveness. Thus this study contributes to understand more of the factors that have an impact on private commercial banks performance in Nepal. This study is expected to help those bankers who will get information to improve the performance of the Nepalese private commercial banks. Many study of bank performance has provided road map for managers and the shareholders to evaluate their bank performance in term of profitability with respect to the internal and external determinants. Profitable banks can also diversify their business effectively and also hedge against adverse effects. Therefore, understanding and regularly updating knowledge regarding factors affecting banking profitability is very important for long term existence along with excellent bank management and stability of firm as financial intermediary and important contributor to the economic development of the country.

This study covers the deposit and credit position of commercial banks of Nepal that relates the financial position of bank holding importance in the studies on commercial banks. The study is believed to be beneficial for lenders, creditors, investors, and depositors of the banks. The significance of the study are:

- i It may know how the bank is mobilizing its deposits.
- ii It is important for the investors, customers and personnel of bank to take various decisions regarding deposits and loans.
- iii This study may support the government to formulate bank policies.
- iv It is also be useful for academic professionals for further research.
- v It is important for banks to formulate policies and plans on the basis of this study's findings and recommendation.

### **1.5 Limitations of the study**

Every research has its own limitations. The limitations of this study are given below:

- i This study has used secondary data. Its accuracy and reliability depends upon the data provided by the concerned banks.
- ii This study ignores other sectors of Nepalese firms such as Development banks, finance companies and insurance companies beside commercial banks.
- iii Only 15 commercial banks have been taken as sample

- iv This study has been done on the basis of last five years data i.e. fiscal year 2015/2016 to 2019/2020.
- v There are time and resource constraints.

#### **1.4 Organization of the study**

This research has been divided into five chapters which are as follows:

##### **Chapter- I: Introduction**

The first chapter covers the introduction. This includes background, statement of problem, objective of the study, significance of the study, limitation of the study and organization on the study.

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

The second chapter includes conceptual framework and review of related books, research papers, published and unpublished thesis studies and related articles. It also includes the gap in the research.

##### **Chapter-III: Research Methodology**

This chapter includes the tools and techniques to analyze the data from research design to financial and statistical tools.

##### **Chapter-IV: Results and Discussion**

The fourth chapter included the presentation and analysis of collected data according to the study objectives like deposit positions, credit position, credit deposit ratio and other major findings.

##### **Chapter-V: Summary and Conclusion**

This chapter includes conclusions drawn and recommendations made on the basis of major findings. References and appendix are included at end of the chapters.

## **CHAPTER II**

## **REVIEW OF LITERATURE**

Literature review is an integral part of a research. In this chapter, relevant literature on deposit mobilization such as books, research studies, journal articles, previous dissertations and websites have been reviewed. It includes literature on deposit mobilization, its theoretical framework, major findings of previous research studies in this field and gaps in the existing research.

### **2.1 Conceptual review**

The conceptual framework provides the theoretical concepts and describes the terms related to this research.

#### **2.1.1 Concept of commercial bank**

A bank is the business establishment that safeguards people's money and uses it to provide loans and investments (The world encyclopedia, 1996). Banks are the heart of the financial system and play a very important role in the economy of the country. Banks accept and hold deposits from the public, use these funds to provide loan advances and overdraft or make investment on government securities, mutual fund and other companies' shares.

According to BAFIA (2006), a commercial bank is defined as “as one which exchanges money, deposits money, accepts deposits, grants loan and performs commercial banking function and which is not a bank meant for cooperative, agriculture, industries or for such specific purpose.” The commercial banks are those banks which provide short term and long term debts whenever necessary for trade and commerce. They accept deposits from the public and grant loans in different form, purchase and discount the bill for exchange, promissory notes exchange foreign currency.

A commercial bank can be defined as an institution which deals in money. Banks collect money from those who have it to spar or who are saving it out of their income and lend this money out against goods security to those who requires it (Crowther, 1985).

The American institute of Banking has laid down the four major function of commercial bank such as receiving and handing of deposits, handing payments of its clients, making loans and investments and creating money by extension of credit. (American Institute of Banking, 1972).

Commercial institutions are those financial institutions which deal in accepting the deposits of people and institutions and giving loan against securities. They provide working capital needs of trade, industry and even to agricultural sectors. They make fund available through their lending and investing activities to borrowers, individual, business firms and government establishment units. Therefore commercial banks are those banks that pool together the saving of community and arrange for their productive use. Commercial banks are restricted to invest their funds in corporate securities. Their business is confined to financing the short terms needs of trade and industry. They cannot finance in fixed assets, which are not easily releasable. Apart from financing, they also lender services like collection of bills and cheque, safe keeping of valuables, financial advising etc to their customers (Vaidya, 2009).

Commercial banks deal with other people's money. They have to find ways of keeping their assets liquid so that they could meet the demands of their customers. The banker has to keep adequate cash for this purpose. Cash is an idle asset and the bankers can't afford to keep a large possession of his assets in the form of cash. Cash brings in no income to the bank. Therefore the bankers have to distribute his assets in such a way that he can have adequate profits without sacrificing liquidity (Radhaswamy & Vasudevan, 1979).

Central bank is the main bank of any nation that directs and controls all the banks that exist in the country. In Nepal, Nepal Rastra Bank is the central bank of the country. All the commercial banks perform their functions under rules, regulations and the directives provided by Nepal Rastra Bank.

### **2.1.2 Function of commercial banks**

Commercial Banks are directly related with the people. They collect unused money from public by providing attractive sound interest and can earn profit by lending it mainly in business organization, industrial and agriculture sectors and investing in government bonds. So, the main function of commercial banks is to mobilize idle

resources in productive areas by collecting it from scattered sources and generating profit. There are many functions performed by commercial banks which may be listed as follows (Pallavi & Saluja, 2017):

### **A) Accepting deposit**

The main objective of the commercial banks is to collect the deposit. Commercial banks accept the deposit from the public who has surplus funds under three main heading:

- a) Current Deposits
- b) Saving Deposits
- c) Fixed Deposits

### **B) Advancing loan**

The deposits received by banks are not allowed to remain idle. Commercial bank collects funds by taking all kinds of deposits and then it mobilizes by providing loans and advances. Direct loans and advances are given to all types of persons against the personal security of the borrowers or against the security of movable and immovable properties. There is various methods of advancing loans e.g. overdraft, cash credit, direct loans, discounting bill of exchange etc. Different types of loans and advances made by commercial banks are (Pallavi & Saluja, 2017):

- (a) **Cash credit:** Cash credit refers to a loan given to the borrower against his current assets like shares, stocks, bonds, etc.
- (b) **Demand loans:** Demand loans refer to those loans which can be recalled on demand by the bank at any time.
- (c) **Short-term loans:** They are given as personal loans against some collateral security.
- (d) **Bank overdraft:** It is the credit facility given by bank after the account balance reaches zero. The overdraft loan also carries interest rate and fee.

(e) **Discounting of bills:** It is a type of lending in which the bank takes the bill drawn by the borrower on his customer and pays him immediately deducting some amount as discount/commission. The bank then presents the bill to the borrower's customer on the due date and collects the total amount.

### **C) Agency services**

A commercial bank provides a range of investment services. It undertakes to buy and sell securities on behalf of its clients. The banks undertake the payment of subscriptions, premium rents etc. It collects checks, bills, promissory notes, dividends, interest etc. on behalf of the customers. The bank charges a small amount of commission for those services. It also acts as correspondent or representative of its customers, other banks and financial institutions.

### **D) Credit creation**

Commercial banks create credit on the basis of deposits. They hold a certain amount of cash reserve to meet obligations. The rest of the deposit amount is invested in loan finance that yields higher rates of interest as compared to those payable on deposits. When the bank advances loans, it opens an account to draw the money by cheque according to borrower's needs (Pallavi & Saluja, 2017).

### **E) Other functions**

Other functions of the commercial banks are as follows:

- Borrowing raising and taking up of money
- Provide guarantee of services
- Provide facility of discounting bills and promissory notes
- Provide tele banking services
- Provide safe deposit vault
- Provide transit facility of foreign currency
- Provide remittance service

- Provide service of letter of credit (L/C), travelers' cheque
- Provide facilities on bill clearing, purchase and collection services
- Provide locker facilities and other commercial services

### **2.1.3 Resources of Nepalese commercial banks**

Commercial banks have mainly three sources for their advancing. They are follows:

#### **A) Capital**

So far as the capital fund it concerned, it is only a nominal source. Therefore it cannot be used for investment purposes. This capital fund consists of two elements: Paid up capital and General reserve.

#### **B) Deposit**

Deposits are the main resources of commercial banks for advancing loans. Deposits are received from different forms and accounts. There are mainly three types of deposits: Current, Saving and Fixed. In a developing country like Nepal, where the majority of the people are still poor, saving deposits have played a significant role for the development of the country. Therefore, the main source of raising capital is that of deposit (Neupane, 2020).

#### **C) Internal and external borrowing**

Internal and external borrowing are very important for a developing country like Nepal. Being an underdeveloped country, commercial banks alone cannot fulfill the necessities of the society. Therefore commercial banks are allowed to borrow from both two sources External and Internal. Generally external borrowing means the borrowing from foreign bank, foreign government; International Bank for Reconstruction and Development (IBRD), International Monetary Fund (IMF) etc. Internally, commercial banks can borrow from only one source that is from NRB.

### **2.1.4 Deposits**

Deposit is one of the most important sources of the commercial bank. Deposits are one of the aspects of the bank liabilities that management has been influencing

through deliberate action (Vaidya, 1999). BAFIA (2006) defines deposits as the amounts deposited in current, saving and fixed accounts of a bank or financial institution. Bank deposits arise in two ways: The first when the banker receives cash and credits a customer's account, it is known as a primary or a simple deposit. Such primary deposits are made from the initiative of depositors. The second, when banks advance loans, discount bills, provide overdraft facilities; make investments through bonds and securities. This is called derived deposits or derivative deposits. They add to the supply of money. Banks actively create such deposits (The Encyclopedia Britanica, 1981).

People in general, the businessmen; the industrialist and other individuals deposit money in a bank. Bank flows such amount as loan and invest in different sectors to earn profit. The bank attracts deposits from customers by offering different rates of interest and different kinds of facilities. Though the bank plays an important role in influencing the customer to save and open deposit accounts with it, it is ultimately the customer who decides whether s/he should deposit his surplus funds. The growth of banks depends primarily upon the growth of its deposit. In banking business the volume of credit extension much depends upon the deposit base of a bank. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by bank management. There are regular changes in this view in the modern banking industry (Vaidya, 2009).

Deposit includes the idle money of the public, bank being the inter-mediator to accept this sort of money and help to canalize this in productive sector. A deposit is the lifeblood of the commercial banks. Even though, they constitute the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits.

### **2.1.5 Types of deposits**

There are different types of deposits but usually, a bank accepts three types of deposits. In Nepal, banks grant permission to their customers to open three types of accounts under various terms and conditions. This classification is made on different theoretical and financial basis. Therefore, deposits of bank are classified on the following basis:

- i Current deposits
- ii Saving deposits
- iii Fixed deposits

#### **A) Current deposits**

A current deposit is a running account with amounts being paid into and drawn out of the account continuously. It is also known as demand deposit. The deposit in which an amount is immediately paid at the time of any accounts holder's demand is called demand or current deposits. Its transaction is continual and 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. These accounts are generally opened by business houses, public institutions, corporate bodies and other organization whose banking transactions are numerous and frequent. Therefore, the bank doesn't give interest on this account. From such deposit, the merchant & traders are benefited more than the individual. The current accounts are very important for the customers of bank (Neupane, 2020).

#### **B) Saving deposits**

The bank can collect capital through the saving deposit as well. This deposit is also important and its necessity and scope is not negligible. According to BAFIA (2006), saving accounts means accounts of amounts deposited in a bank for savings purposes. This account is suitable and appropriate for the people of middle class, farmers and the labors who have low income, official and small businessmen. Saving accounts are mainly meant for non-trading customers who have some potential for saving and who don't have numerous transactions entering their account. This saving deposit bears the features of both the current and fixed period deposits. Generally, most accounts are opened as saving deposit in a bank. Therefore, the deposit is popular in people in general (Panta, 2020).

#### **C) Fixed deposits**

Fixed deposits constitute a very important resource for banks as bank need not keep greater reserve in respect of such deposits. Under the BAFIA (2006), 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. Usually, only the person or institution who wants to gain more interest opens such type of account. The period of time can vary from 3 months to 5 years or more. More interest rate is payable in this deposit than other deposit. The bank and the customer can take benefit from this deposit. The banks invest this money in the productive sector and gains profit and the customers too can make his financial transaction stronger by getting more interest from this deposit.

### **2.1.6 Deposit mobilization**

Deposit mobilization is the starting point of banking transactions. Deposit mobilization refers to collecting scattered small amount of capital through different media and investing the deposited fund in productive sector with a view to increase the income of the depositors. The main objective of deposit mobilization is to convert idle saving into active saving (NRB, 1980). In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount (NRB, 1984).

Deposit mobilization is an integral part of banking activity. Acceptance of deposits is the primary function of commercial banks. Mobilization of savings through intensive deposit collection has been regarded as the major task of banking. As such, deposit mobilization is one of the basic innovations in current banking activity (Venkatesan, 2012; Maharana et al. 2015). There is a direct relationship between deposit of banks and the investment in the economy. If the volume of deposit is low, the investment in the economy also lags behind due to lack of resources.

Deposit mobilization is the process of public cash or funds accumulation by the financial institutes via its different routes, for instance, savings, current, fixed deposit accounts and other specialized schemes (Gunasekara and Kumari, 2018). Deposits, such as current, saving and fixed deposits are the main part of the working capital. It is due to this reason that banks keep their deposit mobilization campaign always in

full swing taking resort to every possible means lying at their deposit. Banking activities can be increased as much as we can mobilize the accumulated deposit effectively (NRB, 1980).

Commercial banks are set up with a view to mobilize national resources. A commercial bank changes the scattered unproductive small savings into loanable and active savings. The bank not only collects saving, but also it provides incentives to the savers and help them to be able to save more. The first condition of National Economic Development is to be able to collect more and more deposit. In this context, the yearly increasing rate of commercial banks' deposits clearly shows the satisfactory progress of deposit mobilization.

Deposit mobilization plays a vital role for the economic development of an underdeveloped and developing country, rather than developed one. It is because, a developed country does not feel the need of deposit mobilization for capital formation due to developed capital markets in every sectors. But, in an underdeveloped country and developing country, deposit mobilization plays a great role in such countries. Low national income, low per capita income, lack of technical know-how, vicious cycle of poverty, lack of irrigation, pressure of population increase, geographical condition etc, are the main problems of economic development of an underdeveloped country like Nepal. So far the developments of these sectors concerned, there is needs of more capital. Again, instead of the development of a particular sector, the development of every sector should go side by side. So, an underdeveloped country feels the need for the development process of these sectors on one side and to accumulate the scattered and unproductive sectors deposit on the other. This can be taken in Nepal's present context (NRB, 1984).

In developing countries, there is always shortage of the capital for the developmental activities. There is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time, private people also cannot undertake large business because the per capita income of the people is very low while their propensity to consume is very high. Due to low income, their saving is very low and capital formation is also very low so their saving is not sufficient for carrying on development works.

In the developing countries, there are two ways of capital accumulation, one from the external sources and other from the internal sources. From external Foreign Aid, Loan and Grants are main sources. While in the later, financial institutions operating within the country play a dominant role. In the context of Nepal, commercial banks are the main financial institutions, which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

Capital formation is one of the important factors that leads to increase in the size of national output income and employment, solving the problem of inflation and balance of payment and foreign debts. Domestic capital formation helps in making a country self sustainable. According to classical economist, one of the main factors which helped capital formation was the accumulation of capital. They thought capital formation indeed plays a decisive role in determining the level and growth of national income and economic development. In the view of many economists, capital occupies the central position in the process of economic development in an underdeveloped economy (Neupane, 2020).

The financial institutions and commercial banks have become one of the bases for measuring the economic development of the nation. Commercial banks are the heart of financial system. They make fund available through their lending and investing activities to borrowers, individuals, business firms and services. A commercial bank must mobilize its deposits and other funds in profitable, secured and marketable sector.

These banks provide working capital needs of trade, industry and even to agricultural sector. They transfer monetary sources form savers to users. Commercial bank is a corporation which accepts demand deposits and makes short terms loans to business enterprises, regardless of the scope of its other services.

Commercial bank occupies greater role in economic development by generating the savings towards the desired sectors from one place to another, communicating with its branches and agencies in different parts of the country and the world and advising to the commercial people. The generation of high rates of saving and thereby investment is possible only through the commercial banks. Increasing the income of the low

income group of people and making them able to save more deposit mobilization helps to invest the collected deposit in desired sectors (NRB, 1984).

Banks cannot achieve its goals until and unless it mobilizes its deposits in right sectors and by performing different activities. But bank should separate the useful and profitable sector for mobilization its deposits. Banks should mobilize its deposits in suitable and profitable banking activities and right sector.

### **2.1.7 Importance of deposit mobilization**

The following are some reasons for why deposit mobilization is needed in a developing country like Nepal (NRB, 1984).

**A)** Capital is needed for development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.

**B)** It is much more important to canalize the collected deposit in the priority sectors of a country. In our developing country, we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.

**C)** The need of deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra money that the people have, can flow forwards buying unnecessary and luxury goods. So, the government also should help to collect more deposit, stepping legal procedures to control unnecessary expenditures.

**D)** Commercial banks are playing a vital role for national development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors, but also in other sectors like food grains, gold and silver etc. Though these loans are traditional in nature and are not helpful to increase productively, but it helps, to some extent, to mobilize bank deposit.

**E)** To increase saving is to mobilize deposit. It is because if the production of agricultural and industrial products increases, it gives additional income, which helps to save more, and ultimately it plays a good role in deposit mobilization (NRB, 1984).

By mobilizing deposit, there will be flow of ideal money, use in productive sector, use funds to fulfill the increasing needs of people and increase in economic as well as development activities of the bank itself and the overall economy of the country (Bhattarai, 2004).

### **2.1.8 Advantage of deposit mobilization**

The following are the advantages of deposit mobilization (NRB, 1984).

#### **A) To support fiscal and monetary policy**

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

#### **B) Capital formation**

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

#### **C) Circulation of idle money**

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

#### **D) Co-ordination between different sectors**

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

#### **E) Development of banking habit**

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

#### **F) To promote cottage industries**

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

#### **G) To support government development projects**

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

#### **H) To check up misutilization of money**

Mostly our customs and habits are supported by social and religious beliefs. There is also tendency of copying others and to show their superiority by buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up misutilization of money.

#### **I) Others**

Deposit mobilization supports small savers by earning interests, helps in the development of rural economy, protects villagers from being exploitation of indigenous bankers, increases investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc (NRB, 1984).

## **2.2 Empirical review**

Different research studies and articles related to the topic were reviewed.

### **2.2.1 Review of research articles**

Dhungana (2011) studied the impact of banking sectors especially commercial banks on economic growth of Nepal over the period of 1990 to 2010 AD. This study is based on secondary data. The relationship of banks deposit and its impact on economic growth of Nepal has been analyzed with the help of statistical package. The study concluded that higher the deposit of the financial institutions, higher the level of GDP and economic growth of the nation. Similarly, higher level of the deposit of commercial banks has been contributing for the enhancement of GDP and economic growth of the nation. He expressed that the banking sector has been playing dual role of mobilizing as well as allocating the limited resources towards people' needs so as to develop the economic system. It is concluded that people prefer to deposit their funds in saving account in comparison to the other deposit account due to attractive features of this account. Likewise, total deposit of different financial institutions has been increased in each year & among them commercial banks have higher level of depository amount in comparison to the other financial institutions. It is so because the most people are attracted to deposit their funds in commercial banks due to secured & sound financial institution.

Venkatesan (2012) studied the trend and growth in deposit mobilization of scheduled commercial banks in Tamil Nadu empirically. This study is based on secondary data for the span of ten years from 1999/00 to 2008/09, which comprises of information regarding current deposit, savings deposit and term deposits. The Compound Growth Rate (CGR) and Linear Growth Rate (LGR) were calculated from using simple regression analysis. The study found that there has been a remarkable growth in mobilization of all kinds of deposits in scheduled commercial banks in Tamil Nadu on the whole. It is concluded that there was a significant up trend and growth in current deposits in terms of value despite a significant decline in number of current deposits accounts. Regarding saving deposits, it is concluded that there was a significant trend and growth in it both in terms of number of accounts and in value (amount). However, the number of term deposits exhibited a significant growth and trend but there was neither decrease nor increase in it when evaluated by value. It also concluded that mobilization of savings through intensive deposit collection has been regarded as the major task of banking in India today.

Thagunna and Paudel (2013) analyzed the extent of divergence of efficiency of the banks in Nepal and to determine the factor of their efficiency and inefficiency. This paper uses a relatively new frontier approach known as Data Envelopment Analysis (DEA) for measuring the efficiency and performance. This research mainly uses secondary data and the study period is from 2007-08 to 2010-11. The study considered the banks of Nepal. The study revealed that the efficiency level of banks in Nepal during 2007/08 to 2010/11 is relatively stable with an overall increase. This study found no significant relationship with efficiency level and ownership structure of banks and there were no notable differences in the efficiency levels of banks according to their asset size. No relationship of asset size with efficiency suggests that there is room for both larger and smaller investments in banking meaning more competition which can be achieved by freeing up the banking sector.

Maharana et al. (2015) studied the trend and growth in deposit mobilization of commercial banks in India. The study is based upon secondary data for sector wise and state wise deposit mobilization as well as primary data for the purpose of ascertaining the performance of depositors using questionnaire during 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 in Bhubaneswar city. It is concluded that there was a significant up trend and growth in current deposits but in terms of growth of deposit year by year is fluctuating. There is significant decline in deposits in scheduled commercial banks in Bhubaneswar during the period from 2009-10 to 2012-13. As there is a significant increase in current deposit and term deposit over the period under study the mobilization of demand deposit and term deposits by bank of Baroda is more than Axis bank over the period. On the whole, it is concluded that Bank of Baroda in Bhubaneswar city has performed well in deposit mobilization in five years from 2010/11 to 2014/15.

Ferhi and Chkoundali (2015) identified and assessed the credit risk and the efficiency of the Islamic and conventional banks. The generalized method of moments (GMM) is applied to measure the relationship of the credit risk, capital efficiency and banking industries. A sample of 99 Islamic banks and 110 conventional banks in 28 countries during the 1999-2010 period was taken in this study. The results show that most of

conventional banks have a higher credit risk than the Islamic ones. This risk has a high impact on the exposure to the financial crises. The inefficiency degree of Islamic banks does not differ from that of the conventional ones. It concluded that, during the sub prime crisis period, Islamic banks were not affected by the crisis, however, during 2010, there is an impact of this financial crisis on the Islamic banks but in a disproportionate way.

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. The study was mainly based on secondary data and covers a period of 10 years, from 2005-2006 to 2014 -2015. The study is in the Western Region in India, which included Goa, Gujarat, Maharashtra, Dadra & Nagar Haveli and Daman & Diu. It stated that the banks offered various deposit schemes to the public which include Current Deposit, Saving Deposit and Term Deposit. The study found that in 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 other western region in India. The State of Dadra and Nagar Haveli compare with all deposits the saving deposit is high.

Pallavi and Saluja (2017) analyzed the profitability and trends in productivity of SBI and its associates. The study used secondary based and analytical in nature. The time period of the study is from 2010-11 to 2014-15. The various sources of data were used. Statistical tables relating to banks in India, Trend and Progress of Banking in India published by RBI Statistical tools such as mean, standard deviation, coefficient of variation, correlation coefficient and growth rate both simple growth rate and compound growth rate were used to provide analytical results of the data.. The study found that measurement of profitability in banking is necessary to improve the financial soundness of banks. Profitability is an important criterion to evaluate the overall efficiency of the bank. The objective of profitability ratio is to evaluate the performance of banks on the basis of the degree of relationship existing between the profits and fund on one hand and between the profit and total income of banks on the other. Increase in the ratio implies increase in the profitability of banks. Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings compared to its expenses and other relevant costs incurred during a

specific period of time. For most of these ratios, having a higher value relative to a competitor's ratio or relative to the same ratio from a previous period indicates that the company is doing well. The study concluded that that net profit to working fund is better than of operating profit to working fund as far as net profit as percentage of total income is better than of net profit to total deposits.

Jana and Lace (2018) determined the impact of the external and internal factors of bank performance on the profitability indicators of the Latvian commercial banks in the period from 2006 to 2011. The study used the survey of scientific literature and analyzed profitability indicators of commercial banks using descriptive methods, as well as SPSS data analysis methods, data correlation and regression analysis. The study found that GDP has a positive impact on profitability as measured by ROA and ROE. The methodology used in the present research can be applied to determine not only profitability indicators of some commercial bank in particular, but also to compare performance indicators of several banks. One of the most important conditions for economic development is an effective Latvian banking system. In the recent years the country created and developed a modern two-tier banking system. Competitive credit and financial infrastructure is gradually emerging, and commercial banks are its basic elements. Some of them have received high international ranking. The study concluded that profitability has had a positive effect on operational efficiency, portfolio composition and management, while it has had a negative effect on the capital and credit risks, as measured according to ROA, while according to ROE, positive influence is exerted on composition of the capital portfolio and negative – on operational efficiency and credit risk.

Gunasekara and Kumari (2018) identified the most affecting factors for deposit mobilization. The study is based on primary data obtained from questionnaires quipped with questions. In this study, 120 deposit account holders were selected as a sample from the population of all individuals who live in Dutugemunu Street, Dehiwala, Ihala Biyanwila, Kadawatha and Mandawala, Kirindiwela. The data has been analyzed using descriptive statistics and regression analysis. The study revealed 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 amount of

deposits and the demographic variables, such as, gender, occupation, education level and income significantly affect for deposit mobilization. The study also revealed that deposit mobilization is the key focus of many banks but finding deposit is becoming a challenging role for the banks in Sri Lanka compatible with the growing need of loans. There are limited types of deposit products mainly three namely saving, current and fixed time deposits services commonly sold to the customers by the local banks.

Shrestha (2019) identified the determinants of the financial performance of Nepalese commercial banks. This paper also aimed to identify the factor that plays significant role for explaining the financial performance of Nepalese commercial banks. This study is based on descriptive, correlation and causal comparative research design. The fact and behavior of the variables under the study has been analyzed using descriptive analysis. Similarly, the direction and magnitude of the relationship of the financial performance of the Nepalese commercial banks and factors affecting it is observed using correlation research design. Finally, the causal comparative research design is used to evaluate the explanatory power of bank specific factors for explaining financial performance of Nepalese commercial banks. This study has used financial performance of Nepalese commercial banks measured by return on assets (ROA) as dependent variable. Breusch and Pagan Lagrangian multiplier test showed that Pooled Regression model is not appropriate and Hausman test concluded that Fixed Effect model is appropriate rather than Random Effect model. Using the Fixed Effect model; this study concludes that bank specific factors have significant impact on financial performance of Nepalese commercial banks. Finally, this study concluded that ME, AQ and OE have significant positive impact, and CR has negative impact on the financial performance of Nepalese commercial banks.

Neupane (2020) studied on profitability determinants of Nepalese commercial banks. This study employed descriptive statistics to describe the profitability of Nepalese banks and its determinants. Further, the degree of correlation among different indicators of profitability and its determinants has been assessed by calculating correlation coefficient. Finally, this study had adopted a panel data regression model (Fixed Effect Model and Random Effect Model) to investigate the determinants and their impact on profitability of Nepalese commercial banks. The analysis found that the bank profitability measured by ROA of Nepalese commercial banks is significantly

affected by concentration ratio, banking sector development, GDP growth, inflation and exchange rate significantly in opposite direction rather it is not significantly affected by the internal factors like bank size, capital base, deposit, loan, off-balance sheet activities and number of branches. Another indicator of bank profitability; NIM is significantly affected only by capital adequacy, absolute number of branches and inflation rate. This study concluded that the profitability of Nepalese commercial banks measured by return on assets is significantly influenced by the external factors. Among external factors, industry specific factors have high degree of impact on return on assets whereas macroeconomic variables have quite a weak degree but significant impact on profitability of Nepalese commercial banks as measured by return on assets. The study concluded that the profitability measured by net interest margin (NIM) is significantly influenced only by capital adequacy, absolute number of branches and annual inflation rate.

### **2.2.2 Review of thesis**

Maharajan (2008) in her research 'Deposit Mobilization of Commercial Banks in Nepal' has the objective to examine relationship between the amount of total deposit and amount of total credit granted by the commercial banks. The study is mainly based on secondary data. Four banks - Himalayan Bank Ltd. (HBL), Siddhartha Bank Ltd. (SBL), Nabil Bank Ltd. (NBL) and Standard Chartered Bank Nepal Ltd. (SCBNL) are taken as a sample for comparative study for the period 2059/60 to 2063/64 BS. The study is mainly based on secondary data. The tools used on the study are financial tools as ratio analysis and statistical tools, which are mean, standard deviation, coefficient of variation, and correlation analysis. It was found that SBL is relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advances for the purpose of earning profit. SCBNL appears to be more successful to earn profit on loan and advances than other three banks. This study recommended to collect more amounts as deposits through large variety of deposits schemes and facilities, like cumulative deposit scheme, prize bonds scheme, recurring deposit scheme (life insurance), monthly interest scheme, house building scheme, direct finance housing scheme, education loan scheme and many others.

Paudel (Adhikari) (2009) studied on 'Deposit Mobilization of Nepal Bank Limited (NBL)'. The study has the objective to examine relationship between the amount of total deposit and amount of total lending granted by NBL. Nepal Bank Limited is chosen as the sample to find the condition of deposit mobilization and the study period is from 2002/03 to 2006/07. The research used only secondary data collection techniques. The tools used on the study are financial tools as ratio analysis and statistical tools, which are correlation analysis and trend analysis. It found that NBL is successful to collect deposit but the bank has not been able to utilize the collected deposit and has maintained low investment policy on loan and advances. So there is wider gap between total deposit and total lending (loan and advances). So it is recommended that the bank should try to do different activities to collect more deposit and it should reach different sector to extend loan and advances.

Adhikari (2012) in his study 'Deposit Mobilization of Nepal Bank Limited' aimed to observe the deposit mobilization of Nepal Bank Limited. This study has covered five years data of Nepal Bank Limited from the fiscal year 2006/07 to 2010/11. The secondary data are used for this study. The different tools under financial analysis are current ratio, activity ratio, profitability ratio and other ratios and under statistical tools are mean, standard deviation, coefficient of variation, correlation and trend analysis. The study shows that NBL is not capable in utilizing total assets in the form of loan and advances as well as the bank has not been able to generate surplus by utilizing assets efficiently. Overall, the bank is not able to generate profit by using its deposits. It can be concluded that the deposit mobilization of NBL during the study period of five year is not satisfactory. The bank has tried to maintain a good position among the commercial banks in Nepal and is still pursuing to accommodate as many clients as far as possible.

Shrestha (2014) in her thesis 'Deposit Mobilization of Selected Commercial Banks of Nepal' analyzed the trend of deposit mobilization of commercial banks in Nepal. Four commercial banks are taken for the study- Standard Chartered Bank Nepal Ltd. (SCBNL), Nepal Investment Bank Ltd.( NIBL), Himalayan Bank Ltd (HBL) and Nabil Bank Ltd. (NABIL) and the study period was from 2065 to 2069 BS. The secondary data are used for this study. Various financial and statistical tools like ratio analysis, standard deviation, average mean, correlation coefficient, regression

analysis and trend analysis are used for the analysis of the data. The study found that all the sample banks are in better position in terms of liquidity and profitability position. NIBL is maintaining good liquidity position whereas NABIL has the poor liquidity position among the sample banks. SCBNL has achieved good return on loan and advances and has the lowest credit risk ratio among sample banks. Deposit and loan and advances of commercial banks is in increasing trend. But the growth rate of loan and advances is in decreasing trend and the growth ratio of deposit is in fluctuating trend during the observation period.

Sherpa (2017) studied entitled "Deposit Mobilization of Agriculture Development Bank Limited" aimed to examine, interpret and analyze the deposit mobilization by Agriculture Development Bank Limited. For this study, Agriculture Development Bank Limited is selected as sample size of the study during 2012/13 - 2016/17. The secondary data are used to examine the deposit mobilization. The tools used on the study are financial tools as ratio analysis and statistical tools, which are arithmetic mean, standard deviation, coefficient of variation, and correlation analysis. The research found that there is positive relationship between the total deposit and total loan and advances of ADBL. The five year period deposit and loan position of ADBL is increasing indicating the bank is able to collect deposits as well as mobilize the deposits in the form of loan and advances. ADBL is able to collect deposit in all forms current, saving, fixed and call deposit. The majority of portion of deposit is in fixed deposit.

Limbu (2018) in her study 'Comparative Study on Deposit Mobilization Of Nabil Bank Limited, Nepal Bank Limited And Nepal Investment Bank Limited' conducted the comparative study on deposit mobilization of Nabil Bank Limited, Nepal Bank Limited and Nepal Investment Bank Limited. For this purpose, 3 banks are selected as sample size of the study during 2012/13-2016/17. The secondary data are used to examine the study on deposit mobilization of selected banks. The tools used on the study are statistical tools, which are arithmetic mean, standard deviation, coefficient of variation, correlation analysis and probable error analysis. It was found that Nabil Bank and NIBL could not mobilize their current deposits. So Nabil Bank and NIBL have to take action for better performance in collection of deposits and its mobilization in profitable sectors. The total investment of Nabil Bank Limited is

higher than NBL and NIBL. So, NBL and NIBL should invest their deposits in different sectors. The total performing loan of loan and advance of NIBL has better than Nabil Bank Limited and NBL, it is recommended to Nabil Bank Limited and NBL should diversify its loan on various securities.

Sanjyal (2019) studied on 'A Comparative Financial Performance Analysis of Sanima Bank Limited and Agriculture Development Bank Limited' aimed to evaluate the financial performance of Sanima Bank Limited and Agriculture Development Bank Limited. The study covered two commercial banks in Nepal - Sanima Bank Limited (SBL) and Agriculture Development Bank (ADBL) over a period of past 8 fiscal years from 2009/10 to 2016/17. The secondary data are used for this study. The tools used on the study are financial tools as ratio analysis and statistical tools, which are arithmetic mean, standard deviation, and coefficient of variation. The study shows that both banks have sound lending management but ADBL has effective lending then SBL. It concludes that the return on asset of both banks has satisfactory and both banks has maintained their profitability but ADBL is higher than the SBL which indicated that success of management in overall operation and in earning net profit with efficient utilization of total asset. It shows amount of investment on government securities is in satisfactory level for both banks.

Karki (2019) examined the liquidity and profitability position of the commercial banks of Nepal. The study used secondary data. Descriptive research design was used. The study used statistical and financial tools. The study found that though the liquid asset maintained by SCBNL was highest, the liquidity position of NABIL was strongest in terms of current ratio and CRR. Furthermore, NABIL was most successful in optimizing the deposits mobilization due to its highest ROA. The study concluded that except in HBL, there existed a positive relationship between cash and bank balance with the net profit. The study recommended that the C.V of liquidity ratio of NABIL, HBL and SCBNL are very high. So these banks should be maintained consistent in liquidity position in term of liquidity ratio and quick ratio. And EPS for NABIL, HBL, and SCBNL is low. So, this study is suggested to enhance their EPS. HBL has more consistent in maintaining the EPS. NABIL has more fluctuated too over six year as compared to other bank.

Panta (2020) analyzed liquidity position and cash management practices of SBL and NIBL and to find out the correlation between loan and advances and total deposit. The study used secondary data. Descriptive research design was used. The study used statistical and financial tools. Two commercial banks were taken as sample out of 28 commercial banks. Purposive sampling method was used. The research found that the total deposit of SBL and NIBL is in increasing trend over the period. Both of them have high positive correlation between total deposit and loan and advances. The trend line of loan and advances for both banks is upward slopping which refers to the increase in the disbursement of loan and advances. The study concluded that lack of adequate liquidity is one of the first signs that the bank is in trouble, thus ensuring adequate liquidity is a never ending problem of bank management that will have significant impact on bank's profitability. The study recommended that all the sample bank under study are suggested to concentrate more on their performance, maintaining the liquidity, business growth rate, asset quality and governance practices. Apart from these, market reputation, diversified service, corporate social responsibility should also be taken into account. It not only be beneficial for the bank but will also play a vital criteria of tool in regarding a reward as one of the best bank of the nation.

Khanal (2020) analyzed the comparative study on liquidity management of Everest Bank Ltd and Himalayan Bank Ltd. The study used secondary data. Descriptive research design was used. The study used statistical and financial tools. Two commercial banks were taken as sample out of total commercial banks. Convenience sampling method was used. The study found that EBL is more efficient in utilizing the outsider's funds in extending credit for profit generating sectors while HBL is more successful in utilizing its total deposits by investing in marketable securities. It seems HBL is successful in earning high profit on loan and advances but the return has not been consistent. Since both banks have small mean returns on its loans and advances, neither seems to perform better in order to receive reasonable returns from these loans. The study concluded that the overall aspect of liquidity position of EBL is comparatively better than HBL as it is sound in meeting short term obligations. The study recommended that capital ratio for EBL is comparatively lower than HBL bank and coefficients are consistent for sample banks which should be maintained

consistent upcoming year and EBL should increase the capital ratio for increasing the profitability.

### **2.3 Research gap**

During the review of previous studies, it was found that most of the researchers Dhungana (2011), Venkatesan (2012), Thagunna and Paudel (2013), Maharana et al. (2015), Ferhi and Chkoundali (2015), Alagarsamy and Ganapathy (2017), Pallavi and Saluja (2017), Jana and Lace (2018), Gunasekara and Kumari (2018), Shrestha (2019) and Neupane (2020) have conducted on the deposits of commercial banks in developing countries. There are numerous studies of deposit and lending performance in developed and developing countries. Different factors have affected the bank deposit and lending. Time and again studies have been conducted to measure the determinants affecting the bank deposit and its lending as bank plays a critical role in a country's economic development as vehicle of deposit mobilization. They are key players in the provision of capital and hence in stimulating economic development. If we analyze in context of Nepal also banking sector is one of the most important sector contributing a lot to development of country and one of the high profit generating sector. There are different determinants that play very crucial roles in determining the factors that influence deposit mobilization.

Studies related to deposit mobilization of commercial banks are essential to know their present status and thus make necessary changes. It has generally been observed that the deposits of commercial banks have not been fully utilized. Previous research studies are focused mainly on the financial performance and fund mobilization of commercial banks, the role of commercial banks or comparative study of commercial banks. There are lots of researches on deposit mobilization of one specific commercial bank or a comparative study. This research is mainly focus on deposit mobilization of fifteen commercial banks of Nepal. This thesis work has covered the period of study 2015/2016 to 2019/2020 A.D. only. So this study will be fruitful to those interested parties, scholars, teachers, civil society, businessmen and government for academically as well as policy perspectives.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

Research methodology describes the methods and processes that used in the study. It explains the research design in detail that includes the sampling techniques, the sources and type of data and data collection and analysis methods. The tools and techniques used to achieve the research objectives are elaborated in detail.

#### **3.1 Research design**

This study employed descriptive and causal comparative research designs to deal with the fundamental issues of the study. This study employs descriptive research design to deal with the fact-finding and searching adequate information associated bank specific variables on deposit mobilization of Nepalese commercial banks. In addition, causal comparative research design is used to analyze the cause and effect relationship of bank specific variables on deposit mobilization. Under causal comparative research design correlation analysis is used to understand the directions, magnitudes and forms of observed relationship.

#### **3.2 Nature and Sources of data**

Data is collected by using secondary sources and the secondary data are of annual nature. Cross sectional data are used in this study where 15 commercial banks out of 27 in Nepal were included over the period of 2015/16-2019/20 covering the period of 5 years. The variables used in the study are categorized into bank specific variables (deposit and lending). The data of bank specific variables are collected from official website of concern commercial banks. This research is completely based on secondary data so this research does not require any of survey for collection of primary data. Data are collected from different sources as per need and requirement..

#### **3.3 Population and sample**

Though there were 27 commercial banks in Nepal till March 2021, all of them did not provided scope for the study. In order to represent the banking sector the basis of sample selection is that banks established in different eras like public bank of government, commercial bank established in 1980's, banks established in

collaboration with foreign banks, bank established between mid-1990's and banks established in 2000's have been selected for the study. Fifteen commercial banks have been taken. Therefore, out of 27 commercial banks, 15 are taken as sample for the study for the period of 2015/16-2019/20. Table 3.1 presents the list of sample banks selected for the study along with study period and number of observations. For the purpose of data collection non-probability sampling method has been used. The convenience sampling method has been used.

**Table 3.1**

*Banks selected for the study along with study period and number of observations*

<b>S. N</b>	<b>Name of the company</b>	<b>Established Year</b>	<b>Study period</b>	<b>Observation</b>
1.	Agriculture Development Bank Limited	1965	2015/16-2019/20	5
2.	Nabil Bank Limited	1984	2015/16-2019/20	5
3.	Nepal Investment Bank Limited	1985	2015/16-2019/20	5
4.	Standard Charter Bank Limited	1986	2015/16-2019/20	5
5.	Himalayan Bank Limited	1993	2015/16-2019/20	5
6.	Everest Bank Limited	1994	2015/16-2019/20	5
7.	Nepal Credit and Commerce Bank Limited	1996	2015/16-2019/20	5
8.	Machhapuchhre Bank Limited	1999	2015/16-2019/20	5
9.	Prabhu Bank Limited	2009	2015/16-2019/20	5
10.	Kumari Bank Limited	2001	2015/16-2019/20	5
11.	Laxmi Bank Limited	2002	2015/16-2019/20	5
12.	Siddhartha Bank Limited	2003	2015/16-2019/20	5
13.	NMB Bank Limited	2008	2015/16-2019/20	5
14.	Global IME Bank Limited	2007	2015/16-2019/20	5
15.	Mega Bank Limited	2010	2015/16-2019/20	5

### 3.4 Method of data analysis

Analysis and presentation of the data is the core of each and every research work. Different financial tools like loan deposit ratio, growth ratio, trend analysis are used to analyze the collected data to obtain results as per the objectives of the study which are described below.

#### A) Percentage change ratio

Percentage is used to measure the changing position of different amount. The following formula is used to find out the annual percent change.

$$\text{Annual percentage change} = \frac{\text{Amount of this year} - \text{Amount of last year}}{\text{Amount of last year}}$$

#### B) Loan deposit ratio

This loan deposit ratio (LD Ratio) describes relationship between deposit and loan. Similarly this ratio can be calculated dividing the loan by deposit.

$$\text{LD Ratio} = \frac{\text{Loan}}{\text{Deposit}}$$

#### C) Growth ratio

The growth ratio represents how well the commercial banks are maintaining their economics and financial position. Higher the ratio better performance of the bank and vice-versa. For calculation of growth rate, the following formula is used.

$$D_n = D_0 (1+g)^{n-1}$$

Where,

$D_n$  = Total amount in nth year

$D_0$  = Total amount in initial year

$g$  = Growth rate of amount

$n$  = Total no. of years during the study period.

The following ratios are calculated by using the formula of growth rate:

- i) Growth ratio of total deposits
- ii) Growth ratio of loans and advances

### D) Trend analysis

The general tendency of the time series data to increase or decrease or stagnate during a long period of time is called simply trend. Under this, following subtopics have been presented.

- i. Trend analysis of total deposit and forecast for next three years.
- ii. Trend analysis of total lending (loan and advances) and forecast for next three years.

Simple linear trend line of the form  $y = a + bx$  is used where  $x$  and  $y$  are considering variables. Here  $X$  denotes time in years. 'b' measures the increasing and decreasing rate of  $Y$ .  $Y$  includes total deposit and total lending. Here, method of least square is used for analyzing the trend of deposit and lending. It provides basis for obtaining the line of best fit in the series.

### (E) Coefficient of correlation

It describes and identifies the relationship between two or more variables. Karl Pearson's coefficient of correlation has been used to find out the relationship between deposit and loan. To find the co-efficient of correlation between above variables, this formula has been used.

$$\text{Karl Pearson's Coefficient of Correlation (r)} = \frac{\sum (x - \bar{x})(y - \bar{y})}{\sqrt{\sum (x - \bar{x})^2 \sum (y - \bar{y})^2}}$$

Where,

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

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

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

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

The probable error (P.Er.) is calculated by using the formula.

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

## CHAPTER IV

### RESULTS AND DISCUSSION

This chapter provides systematic, presentation, interpretation and analysis of secondary data to deal with various issues with deposit mobilization of commercial banks in Nepal.

#### 4.1 Deposit position of commercial banks of Nepal

Table 4.1 shows that total deposit of commercial banks of Nepal has increased during the study period by different percentages.

**Table 4.1**

*Deposit position of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16		2016/17		2017/18		2018/19		2019/20	
		Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change
1	Global IME Bank Ltd	7468	-	10191	0.36	10485	0.03	12008	0.15	21231	0.77
2	Agriculture Development Bank Ltd	8738	-	9981	0.14	10421	0.04	11888	0.14	14373	0.21
3	Nabil Bank Ltd	11026	-	11889	0.08	13457	0.13	16291	0.21	19303	0.18
4	Nepal Investment Bank Ltd	10862	-	12566	0.16	14032	0.12	14933	0.06	16633	0.11
5	Standard Chartered Bank Nepal Ltd	5572	-	6387	0.15	6706	0.05	7573	0.13	9502	0.25
6	Himalayan Bank Ltd	8733	-	9288	0.06	9898	0.07	10938	0.11	12509	0.14
7	Everest Bank Ltd	9163	-	9409	0.03	11551	0.23	12956	0.12	14354	0.11
8	Machhapuchhre Bank Ltd	5229	-	5862	0.12	7114	0.21	8499	0.19	10390	0.22
9	Kumari Bank Ltd	3795	-	4769	0.26	5954	0.25	7320	0.23	11654	0.59
10	Laxmi Bank Ltd	4581	-	5858	0.28	6556	0.12	8032	0.23	9837	0.22
11	Siddhartha Bank Ltd	6493	-	7731	0.19	9457	0.22	11492	0.22	13917	0.21
12	Mega Bank Ltd	3075	-	3893	0.27	6349	0.63	7868	0.24	12789	0.63
13	Nepal Credit and Commerce Bank Ltd	3036	-	5879	0.94	5726	-0.03	6703	0.17	7281	0.09
14	NMB Bank Ltd	6478	-	7322	0.13	8397	0.15	9789	0.17	13166	0.34
15	Prabhu Bank Ltd	6094	-	8134	0.33	9725	0.20	10548	0.08	12874	0.22

*Source: Annual reports of sample banks, 2015/16-2019/20*

The highest deposit collection in 2015/16, 2018/19 and 2019/20 are Rs. 11026 crore, Rs. 16291 crore and 19303 crore by Nabil Bank respectively. Similarly highest deposit collection in 2016/17 and 2017/18 are Rs.12566 crore and Rs. 14032 crore by NIBL respectively. The deposit position of sample banks had increased in the study

period by different percentages. The study concluded that two of the important factors that affect the level of deposits are: the level of bank liquidity and the interest rate on deposits. The key factors for deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, government rule and regulation, service quality and customers awareness.

#### 4.1.1 Current deposit position of commercial banks of Nepal

Table 4.2 shows the deposit amount in current account of commercial banks of Nepal for F/Y 2015/16 to 2019/20. The current deposit of Agriculture Development Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Nepal Ltd, Kumari Bank Ltd, Nepal Credit and Commerce Bank Ltd and NMB Bank Ltd has decreased in one or two fiscal years but increased in the other years by different percentages. The remaining banks had an increase in current deposit in the study period. The study found that the key factors for current deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, increase in business activities, service quality, customers awareness.

**Table 4.2**

*Current deposit position of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16		2016/17		2017/18		2018/19		2019/20	
		Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change
1	Global IME Bank Ltd	395	-	450	0.14	709	0.57	795	0.12	1477	0.86
2	Agriculture Development Bank Ltd	1255	-	1028	-0.18	1245	0.21	1748	0.40	2088	0.19
3	Nabil Bank Ltd	1623	-	1694	0.04	1732	0.02	1798	0.04	1823	0.01
4	Nepal Investment Bank Ltd	1387	-	1402	0.01	1187	-0.15	1345	0.13	1541	0.15
5	Standard Chartered Bank Nepal Ltd	1369	-	1242	-0.09	1519	0.22	2406	0.58	1799	-0.25
6	Himalayan Bank Ltd	902	-	903	0.00	959	0.06	968	0.01	1260	0.30
7	Everest Bank Ltd	829	-	867	0.05	939	0.08	949	0.01	1112	0.17
8	Machhapuchhre Bank Ltd	206	-	214	0.04	251	0.17	344	0.37	542	0.57
9	Kumari Bank Ltd	181	-	141	-0.22	269	0.90	379	0.41	1215	2.20
10	Laxmi Bank Ltd	238	-	382	0.60	319	-0.16	319	0.00	636	0.99
11	Siddhartha Bank Ltd	354	-	409	0.15	873	1.14	984	0.13	1013	0.03
12	Mega Bank Ltd	116	-	124	0.07	394	2.16	496	0.26	950	0.91
13	Nepal Credit and Commerce Bank Ltd	130	-	211	0.63	381	0.80	696	0.83	641	-0.08
14	NMB Bank Ltd	266	-	491	0.84	479	-0.02	568	0.19	513	-0.10
15	Prabhu Bank Ltd	205	-	282	0.37	514	0.82	714	0.39	1292	0.81

*Source: Annual reports of sample banks, 2015/16-2019/20*

The highest current deposit collection in 2015/16, 2016/17 and 2017/18 are Rs. 1623 crore, Rs. 1694 crore and 1732 crore by Nabil Bank respectively. Similarly highest current deposit collection in 2018/19 and 2019/20 are Rs.2406 crore and Rs. 2088 crore by SCBNL and ADBL respectively.

#### 4.1.2 Saving deposit position of commercial banks of Nepal

Table 4.3 represents the saving deposit position of commercial banks of Nepal for F/Y 2015/16 to 2019/20. Kumari Bank Ltd, Laxmi Bank Ltd and Nepal Credit and Commerce Bank Ltd showed a decrease in saving deposit in one or two fiscal years but increased in the other years by different percentages. The other banks had an increase in saving deposit in the study period. The highest saving deposit collection in 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 are Rs. 5343 crore, Rs. 5139 crore, 4414 crore, 4987 crore and 5688 crore by Nabil Bank respectively. The study found that the key factors for saving deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, increase in income level of people, service quality, customers awareness.

**Table 4.3**

*Saving deposit position of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16		2016/17		2017/18		2018/19		2019/20	
		Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change
1	Global IME Bank Ltd	3368	-	3260	-0.03	3678	0.13	4186	0.14	7614	0.82
2	Agriculture Development Bank Ltd	3888	-	3274	-0.16	3104	-0.05	3325	0.07	3949	0.19
3	Nabil Bank Ltd	5343	-	5139	-0.04	4414	-0.14	4987	0.13	5688	0.14
4	Nepal Investment Bank Ltd	3942	-	3641	-0.08	3937	0.08	4106	0.04	4593	0.12
5	Standard Chartered Bank Nepal Ltd	2691	-	2279	-0.15	2093	-0.08	2556	0.22	2952	0.15
6	Himalayan Bank Ltd	4642	-	3813	-0.18	3899	0.02	3849	-0.01	4383	0.14
7	Everest Bank Ltd	3864	-	3555	-0.08	3853	0.08	4089	0.06	4739	0.16
8	Machhapuchhre Bank Ltd	2120	-	1929	-0.09	2179	0.13	2659	0.22	3313	0.25
9	Kumari Bank Ltd	958	-	1317	0.38	1632	0.24	1800	0.10	3078	0.71
10	Laxmi Bank Ltd	1067	-	1292	0.21	1870	0.45	1870	0.00	2939	0.57
11	Siddhartha Bank Ltd	1983	-	1802	-0.09	2603	0.44	3332	0.28	4104	0.23
12	Mega Bank Ltd	1045	-	851	-0.19	1540	0.81	2088	0.36	3300	0.58
13	Nepal Credit and Commerce Bank Ltd	951	-	1582	0.66	139	-0.91	2084	13.99	2242	0.08
14	NMB Bank Ltd	1861	-	1697	-0.09	1986	0.17	2784	0.40	3751	0.35
15	Prabhu Bank Ltd	3335	-	3058	-0.08	3802	0.24	4100	0.08	4921	0.20

*Source: Annual reports of sample banks, 2015/16-2019/20*

### 4.1.3 Fixed deposit position of commercial banks of Nepal

The fixed deposit position of sample commercial banks of Nepal for F/Y 2015/16 to 2019/20 is shown in Table 4.4. There is an increase in fixed deposit of sample commercial banks of during the study period except for Nabil Bank Ltd, Standard Chartered Bank Nepal Ltd and Nepal Credit and Commerce Bank Ltd where a decrease in fixed deposit occurred in one fiscal year. The highest fixed deposit collection in 2015/16 and 2016/17 are Rs. 3491 crore and Rs. 5506 crore by ADBL Bank respectively. Similarly highest fixed deposit collection in 2017/18, 2018/19 and 2019/20 are Rs. 6600 crore and Rs. 6907 crore and 10992 crore by NIBL and Global IME Bank respectively. The study found that the key factors for fixed deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, increase in interest rate, service quality, customers awareness. Banks advertise to attract depositors and they pay high interest on the funds.

**Table 4.4**

*Fixed deposit position of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16		2016/17		2017/18		2018/19		2019/20	
		Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change	Deposits (NPR)	% change
1	Global IME Bank Ltd	1984	-	5154	1.60	5335	0.04	6042	0.13	10992	0.82
2	Agriculture Development Bank Ltd	3491	-	5506	0.58	5567	0.01	6346	0.14	7562	0.19
3	Nabil Bank Ltd	886	-	2404	1.71	1814	-0.25	6494	2.58	7860	0.21
4	Nepal Investment Bank Ltd	2648	-	5369	1.03	6600	0.23	6907	0.05	8164	0.18
5	Standard Chartered Bank Nepal Ltd	321	-	2309	6.19	2473	0.07	2406	-0.03	2422	0.01
6	Himalayan Bank Ltd	1676	-	3750	1.24	4165	0.11	5062	0.22	5692	0.12
7	Everest Bank Ltd	2599	-	3631	0.40	5406	0.49	6445	0.19	7287	0.13
8	Machhapuchhre Bank Ltd	1741	-	3162	0.82	4148	0.31	4638	0.12	5533	0.19
9	Kumari Bank Ltd	1752	-	2687	0.53	3111	0.16	4119	0.32	6592	0.60
10	Laxmi Bank Ltd	2080	-	2880	0.38	3294	0.14	3294	0.00	5216	0.58
11	Siddhartha Bank Ltd	1963	-	3333	0.70	4066	0.22	5348	0.32	7316	0.37
12	Mega Bank Ltd	897	-	2009	1.24	2890	0.44	3637	0.26	7318	1.01
13	Nepal Credit and Commerce Bank Ltd	1227	-	3050	1.49	3375	0.11	3131	-0.07	3913	0.25
14	NMB Bank Ltd	2697	-	4119	0.53	4583	0.11	4940	0.08	6995	0.42
15	Prabhu Bank Ltd	1174	-	2531	1.15	3660	0.45	4457	0.22	5523	0.24

*Source: Annual reports of sample banks, 2015/16-2019/20*

## 4.2 Lending (Credit) position of commercial banks of Nepal

Table 4.5 represents the total lending of commercial banks of Nepal for F/Y 2015/16 to 2019/20. The total lending of commercial banks of Nepal has increased during the study period by different percentages. In F/Y 2019/20 the highest percentage of lending is performed by Global IME Bank, Mega Bank and Kumari Bank, which 0.68%, 0.57% and 0.51% respectively. The highest lending position in 2015/16 and 2016/17 are Rs. 8700 crore, Rs. 10668 crore, 12082 crore, 12714 crore and 140002 crore by NIBL Bank respectively. In the last three years, there has been a slight decrease in deposits in commercial bank due to low interest rate. Banks' lending is of course dependent on volume of deposits. Main source of fund for lending in banks is deposits. In Nepal, around 94 percent of sources of fund is mobilized from public and corporate deposits and remaining 6 percent from the shareholders equity.

**Table 4.5**

*Lending (Credit) position of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16		2016/17		2017/18		2018/19		2019/20		
		Loans (NPR)	% change	Loans (NPR)	% change	Loans (NPR)	% change	Loans (NPR)	% change	Loans (NPR)	% change	
1	Global IME Bank Ltd	6084	-	7896	0.30	9235	0.17	1130	3	0.22	19041	0.68
2	Agriculture Development Bank Ltd	8341	-	9272	0.11	10398	0.12	1117	5	0.07	12337	0.10
3	Nabil Bank Ltd	7610	-	8987	0.18	11362	0.26	1335	5	0.18	15692	0.17
4	Nepal Investment Bank Ltd	8700	-	10668	0.23	12082	0.13	1271	4	0.05	14000	2
5	Standard Chartered Bank Nepal Ltd	3130	-	3926	0.25	4669	0.19	5563	0.19	56935	0.02	
6	Himalayan Bank Ltd	6774	-	7639	0.13	8619	0.13	9751	0.13	10677	0.09	
7	Everest Bank Ltd	6795	-	7728	0.14	9418	27.33	1120	0	0.19	11906	0.06
8	Machhapuchhre Bank Ltd	4363	-	5116	0.17	6421	0.25	7753	0.21	9500	0.23	
9	Kumari Bank Ltd	2948	-	4356	0.48	6239	0.43	7605	0.22	11455	0.51	
10	Laxmi Bank Ltd	2306	-	5226	1.27	6149	0.18	7655	0.24	9004	0.18	
11	Siddhartha Bank Ltd	5535	-	6598	0.19	8607	0.30	10814	0.26	12757	0.18	
12	Mega Bank Ltd	2735	-	3459	0.26	5712	0.65	7253	0.27	11382	0.57	
13	Nepal Credit and Commerce Bank Ltd	2442	-	4451	0.82	5331	0.20	6323	0.19	6781	0.07	
14	NMB Bank Ltd	5302	-	6115	0.15	7520	0.23	9180	0.22	12033	0.31	
15	Prabhu Bank Ltd	4390	-	5917	0.35	7617	0.29	8975	0.18	10329	0.15	

*Source: Annual reports of sample banks, 2015/16-2019/20*

## 4.3 Loan deposit ratio of commercial banks of Nepal

Table 4.6 presents the relationship between deposit and loan of commercial banks of Nepal using loan deposit ratio for F/Y 2015/16 to 2019/20.

**Table 4.6**  
*Loan deposit ratio of commercial banks of Nepal*

SN	Banks	2015/16	2016/17	2017/18	2018/19	2019/20
1	Global IME Bank Ltd	0.81	0.77	0.88	0.94	0.90
2	Agriculture Development Bank Ltd	0.95	0.93	1.00	0.94	0.86
3	Nabil Bank Ltd	0.69	0.76	0.84	0.82	0.81
4	Nepal Investment Bank Ltd	0.80	0.85	0.86	0.85	0.84
5	Standard Chartered Bank Nepal Ltd	0.56	0.61	0.70	0.73	0.60
6	Himalayan Bank Ltd	0.78	0.82	0.87	0.89	0.85
7	Everest Bank Ltd	0.74	0.82	0.82	0.86	0.83
8	Machhapuchhre Bank Ltd	0.83	0.87	0.90	0.91	0.91
9	Kumari Bank Ltd	0.78	0.91	1.05	1.04	0.98
10	Laxmi Bank Ltd	0.50	0.89	0.94	0.95	0.92
11	Siddhartha Bank Ltd	0.85	0.85	0.91	0.94	0.92
12	Mega Bank Ltd	0.89	0.89	0.90	0.92	0.89
13	Nepal Credit and Commerce Bank Ltd	0.80	0.76	0.93	0.94	0.93
14	NMB Bank Ltd	0.82	0.84	0.90	0.94	0.91
15	Prabhu Bank Ltd	0.72	0.73	0.78	0.85	0.80

*Source: Annual reports of sample banks, 2015/16-2019/20*

The loan deposit ratio of the commercial banks of Nepal under study shows variation from F/Y 2015/16 to 2019/20. Among these banks, the loan deposit ratio of Machhapuchhre Bank Ltd consistently increased throughout the study period from 0.83 to 0.91. The loan deposit ratio of Global IME Bank Ltd, Agriculture Development Bank Ltd and Nepal Credit and Commerce Bank Ltd increased and decreased irregularly. In Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Nepal Ltd, and Kumari Bank Ltd, the loan deposit ratio increased from F/Y 2015/16, peaked at F/Y 2017/18 and then decreased in F/Y 2019/20. In the other banks, the loan deposit ratio increased from F/Y 2015/16 to F/Y 2018/19 and then decreased in F/Y 2019/20.

It is concluded that banks' lending is of course dependent on volume of deposits. However, given a particular monetary policy regime and barring any increase in reserves, the only way commercial banks can increase their lending capacity is to secure new deposits. Again, deposits create loans, and consequently, banks need money in order to make new loans. The reserve requirement arises with the creation of the deposit (the bank's liability), while the capital requirement arises with the creation of the loan (the bank's asset). So loans create capital requirements, deposits create reserve requirements.

#### 4.4 Growth Ratio of commercial banks of Nepal

##### 4.4.1 Growth ratio of total deposit of commercial banks of Nepal

Table 4.7 shows the growth ratio of total deposit of commercial banks of Nepal during the study period of 2015/16 to 2019/20.

**Table 4.7**

*Growth ratio of total deposit of commercial banks of Nepal*

SN	Banks	Growth ratio
1	Global IME Bank Ltd	29.85
2	Agriculture Development Bank Ltd	13.25
3	Nabil Bank Ltd	15.03
4	Nepal Investment Bank Ltd	11.24
5	Standard Chartered Bank Nepal Ltd	14.27
6	Himalayan Bank Ltd	9.40
7	Everest Bank Ltd	11.87
8	Machhapuchhre Bank Ltd	18.73
9	Kumari Bank Ltd	32.38
10	Laxmi Bank Ltd	21.05
11	Siddhartha Bank Ltd	21.00
12	Mega Bank Ltd	42.81
13	Nepal Credit and Commerce Bank Ltd	24.44
14	NMB Bank Ltd	19.40
15	Prabhu Bank Ltd	20.56

*Source: Annual reports of sample banks, 2015/16-2019/20*

The table 4.7 shows that from F/Y 2015/16 to 2019/20, Mega Bank Ltd has the highest growth ratio of total deposits of 42.81 followed by Kumari Bank Ltd with growth ratio of 32.38 while Himalayan Bank Ltd has the lowest growth ratio of 9.40 followed by Nepal Investment Bank Ltd with growth ratio of 11.24.

##### 4.4.2 Growth ratio of total lending of commercial banks of Nepal

Table 4.8 presents the growth ratio of total lending of commercial banks of Nepal during the study period of 2015/16 to 2019/20.

**Table 4. 8***Growth ratio of total lending of commercial banks of Nepal*

<b>SN</b>	<b>Banks</b>	<b>Growth ratio</b>
1	Global IME Bank Ltd	33.01
2	Agriculture Development Bank Ltd	10.28
3	Nabil Bank Ltd	19.83
4	Nepal Investment Bank Ltd	12.63
5	Standard Chartered Bank Nepal Ltd	16.13
6	Himalayan Bank Ltd	12.05
7	Everest Bank Ltd	15.05
8	Machhapuchhre Bank Ltd	21.47
9	Kumari Bank Ltd	40.39
10	Laxmi Bank Ltd	40.56
11	Siddhartha Bank Ltd	23.21
12	Mega Bank Ltd	42.82
13	Nepal Credit and Commerce Bank Ltd	29.08
14	NMB Bank Ltd	22.74
15	Prabhu Bank Ltd	23.85

*Source: Annual reports of sample banks, 2015/16-2019/20*

The table shows that from F/Y 2015/16 to 2019/20, Mega Bank Ltd has the highest growth ratio of total lending of 42.82 followed by Laxmi Bank Ltd with growth ratio of 40.56 while Agriculture Development Bank Ltd has the lowest growth ratio of 10.28 followed by Himalayan Bank Ltd with growth ratio of 12.05.

#### **4.5 Correlation coefficient between deposit and loan**

The relationship between deposit collection and lending of the commercial banks in Nepal was examined using Karl Pearson's coefficient of correlation (Table 4.9). In correlation analysis, deposit is an independent variable (x) and loan is dependent variable (y) (Annex I).

**Table 4.9**  
*Correlation between deposit and loan of commercial banks of Nepal*

SN	Banks	r	r <sup>2</sup>	P.Er	6P.Er	Sig./insig.
1	Global IME Bank Ltd	0.9926	0.9852	0.0045	0.0267	significant
2	Agriculture Development Bank Ltd	0.9664	0.9339	0.0199	0.1196	significant
3	Nabil Bank Ltd	0.9853	0.9708	0.0088	0.0528	significant
4	Nepal Investment Bank Ltd	0.9941	0.9882	0.0036	0.0214	significant
5	Standard Chartered Bank Nepal Ltd	0.0809	0.0065	0.2997	1.7980	significant
6	Himalayan Bank Ltd	0.9769	0.9543	0.0138	0.0827	significant
7	Everest Bank Ltd	0.9879	0.9760	0.0072	0.0434	significant
8	Machhapuchhre Bank Ltd	0.9992	0.9984	0.0005	0.0029	significant
9	Kumari Bank Ltd	0.9907	0.9814	0.0056	0.0336	significant
10	Laxmi Bank Ltd	0.9663	0.9337	0.0200	0.1200	significant
11	Siddhartha Bank Ltd	0.9977	0.9954	0.0014	0.0083	significant
12	Mega Bank Ltd	0.9995	0.9990	0.0003	0.0018	significant
13	Nepal Credit and Commerce Bank Ltd	0.9673	0.9356	0.0194	0.1166	significant
14	NMB Bank Ltd	0.9956	0.9912	0.0026	0.0158	significant
15	Prabhu Bank Ltd	0.9900	0.9800	0.0060	0.0361	significant

*Source: Annex-I*

Table 4.9 shows positive relationship between deposit collection and lending of the commercial banks in Nepal. For Global IME Bank Ltd, the r value is obtained is 0.9926, the coefficient of determination (r<sup>2</sup>) is 0.9852 and the probable error (P.Er.) is 0.0045. Since the value of r<sup>2</sup> is 6 times greater than the probable error, it can be concluded that there is significant and positive relationship between deposits and loan of Global IME Bank Ltd. Likewise, significant and positive relationship between deposit and loan was found in the commercial banks of Nepal under this study.

#### **4.6 Trend analysis**

The trend analysis of total deposit and total lending of the Nepalese commercial banks was performed from F/Y 2015/16 to 2019/20.

##### **4.6.1 Trend analysis of total deposit**

The trend values of deposit from F/Y 2015/16 to 2019/20 and the forecasted values from F/Y 2020/21 to 2022/23 are given in Table 4.10 (Annex II).

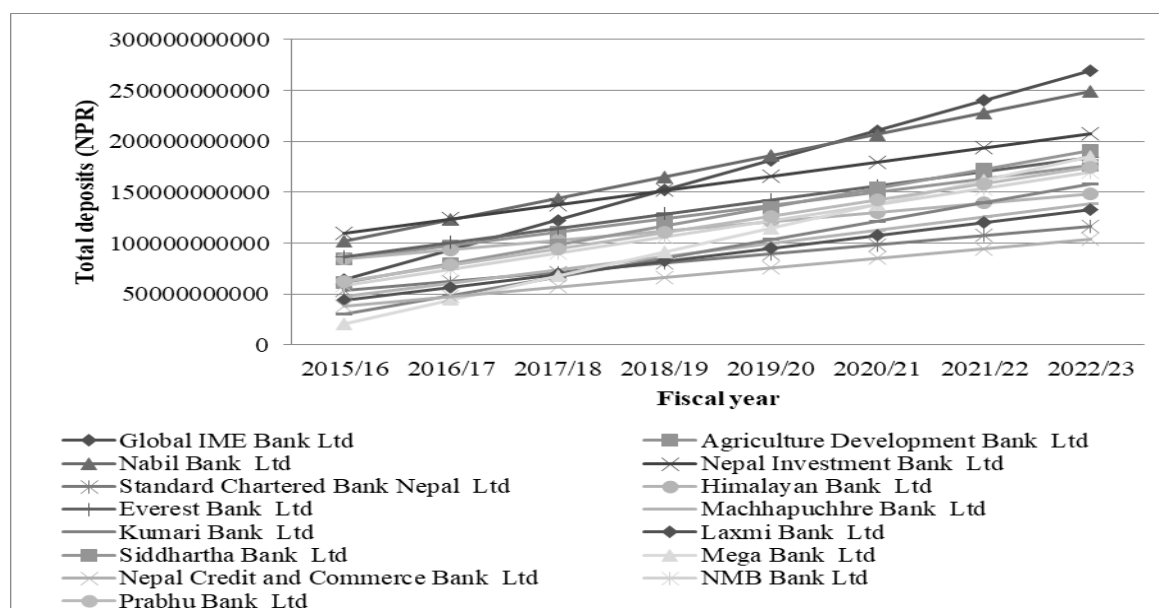
**Table 4.10***Trend value of total deposit of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1	Global IME Bank Ltd	6408	9342	12276	15211	1814	21080	24014	26949
2	Agriculture Development Bank Ltd	8445	9763	11080	12398	13715	15033	16351	17668
3	Nabil Bank Ltd	10202	12298	14393	16489	18584	20680	22775	24871
4	Nepal Investment Bank Ltd	11024	12415	13805	15196	16587	17978	19369	20760
5	Standard Chartered Bank Nepal Ltd	5339	6243	7148	8052	895	9861	10766	11670
6	Himalayan Bank Ltd	8433	9353	10273	11194	12114	13034	13954	14875
7	Everest Bank Ltd	8701	1009	11487	12880	14272	15665	1705	18451
8	Machhapuchhre Bank Ltd	4827	6123	7419	8714	10010	11306	12602	13897
9	Kumari Bank Ltd	3044	4871	6698	8525	10352	12179	14006	15833
10	Laxmi Bank Ltd	4436	5704	6973	8241	9510	10778	12047	13315
11	Siddhartha Bank Ltd	6096	7957	9818	11679	13540	15400	17261	19122
12	Mega Bank Ltd	2114	4454	6795	9135	11476	13816	16156	18497
13	Nepal Credit and Commerce Bank Ltd	3862	4793	5725	6656	7588	8519	9451	10382
14	NMB Bank Ltd	5862	7446	9030	10614	12199	13783	15367	16951
15	Prabhu Bank Ltd	6280	78781	9475	11072	12670	14267	15865	17462

*Source: Annex-II*

This trend analysis indicates that the deposit of commercial banks of Nepal is in increasing trend since the calculated value 'b' is positive. The projected values of total deposits for 2020/21 to 2022/23 are given in the table.

The trend value of total deposit of commercial banks of Nepal is shown in Figure 4.1.



**Figure 4.1:** Trend value of total deposit of commercial banks of Nepal

#### 4.6.2 Trend analysis of total lending

The trend values of loan from F/Y 2015/16 to 2019/20 and the forecasted values from 2020/21 to 2022/23 are given in Table 4.11 (Annex III).

**Table 4.11**

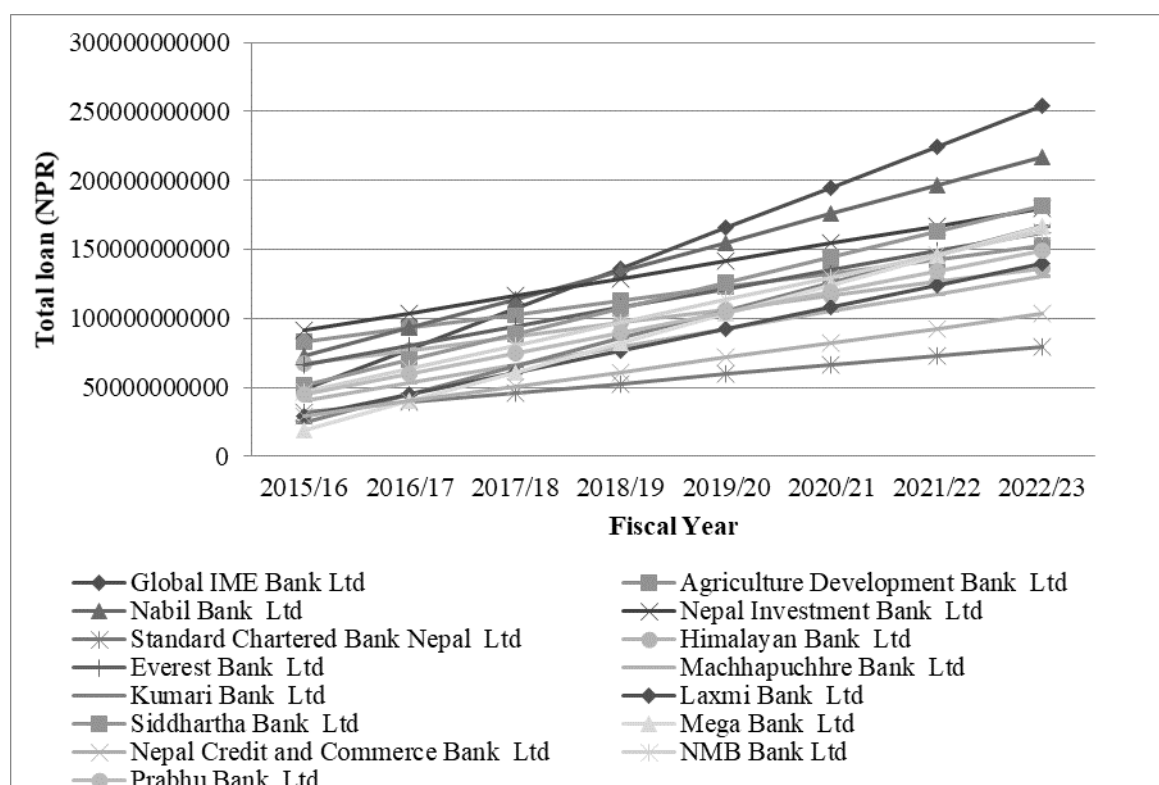
*Trend value of total loan of commercial banks of Nepal (Amount in Crores)*

SN	Banks	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
1	Global IME Bank Ltd	4847	7779	10712	13644	16576	19508	22440	25372
2	Agriculture Development Bank Ltd	8326	9315	10305	11294	1228	13273	14262	15252
3	Nabil Bank Ltd	7295	9348	11401	13454	1550	17561	19614	21667
4	Nepal Investment Bank Ltd	9104	10368	11633	12897	14162	15426	16690	17955
5	Standard Chartered Bank Nepal Ltd	3243	3920	4596	5272	5949	6625	7302	7978
6	Himalayan Bank Ltd	6708	7700	8692	9684	10676	11668	12660	13652
7	Everest Bank Ltd	6671	8040	9410	10779	12148	13518	14887	16257
8	Machhapuchhre Bank Ltd	4049	5340	6631	7922	9213	10504	11794	13085
9	Kumari Bank Ltd	2468	4494	6521	8547	10573	12599	14625	16651
10	Laxmi Bank Ltd	2903	4485	6068	7650	9233	10815	12397	13980
11	Siddhartha Bank Ltd	5130	6996	8862	10728	12595	14461	16327	18193
12	Mega Bank Ltd	1891	4000	6108	8217	10326	12435	14543	16652
13	Nepal Credit and Commerce Bank Ltd	2956	4011	5066	6121	7176	8231	9286	10341
14	NMB Bank Ltd	4725	6377	8030	9683	11335	12988	14641	16294
15	Prabhu Bank Ltd	4459	5952	7446	8939	10433	11926	13420	14913

Source: Annex-III

The trend analysis of total loan of commercial banks of Nepal shows that the loans and advances of commercial banks of Nepal is in increasing trend since the calculated value 'b' is positive. The projected values of total deposits for 2020/21 to 2022/23 are given in the table.

The trend value of total loan of commercial banks of Nepal is shown in Figure 4.2.



**Figure 4.2:** Trend value of total loan of commercial banks of Nepal

#### 4.7 Major findings

The major findings of the study are as follows:

- i The current deposit of Agriculture Development Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Nepal Ltd, Kumari Bank Ltd, Nepal Credit and Commerce Bank Ltd and NMB Bank Ltd has decreased in one or two fiscal years but increased in the other years by different percentages.
- ii In F/Y 2019/20 the highest percentage of lending is performed by Global IME Bank, Mega Bank and Kumari Bank, which 0.68%, 0.57% and 0.51 respectively.

- iii The loan deposit ratio of sample commercial banks under study shows variation from F/Y 2015/16 to 2019/20. Among these banks, the loan deposit ratio of Machhapuchhre Bank Ltd consistently increased throughout the study period from 0.83 to 0.91. The loan deposit ratio of Global IME Bank Ltd, Agriculture Development Bank Ltd and Nepal Credit and Commerce Bank Ltd increased and decreased irregularly. In Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Nepal Ltd, and Kumari Bank Ltd, the loan deposit ratio increased from F/Y 2015/16, peaked at F/Y 2017/18 and then decreased in F/Y 2019/20. In the other banks, the loan deposit ratio increased from F/Y 2015/16 to F/Y 2018/19 and then decreased in F/Y 2019/20.
- iv The current deposit of most sample commercial banks of under study is increasing during the study period except for few banks. Likewise, the saving deposit of most commercial banks of Nepal is increasing during the study period except for few banks.
- v Except for few banks, there is an increase in fixed deposit of commercial banks of Nepal during the study period.
- vi The total lending of commercial banks of Nepal has increased during the study period by different percentages.
- vii The loan deposit ratio of the commercial banks of Nepal from F/Y 2015/16 to 2019/20 varied with some in increasing or decreasing trend and some with fluctuating trend.
- viii The growth ratio of total deposits of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows variation. Among the banks, Mega Bank Ltd has the highest growth ratio and Himalayan Bank Ltd has the lowest growth ratio. It indicates that some commercial banks have good deposit collection while deposit collection is weak in some banks.
- ix The growth ratio of total deposits of commercial banks of Nepal from F/Y 2015/16 to 2019/20 also shows variation. Mega Bank Ltd has the highest growth ratio of total lending while Agriculture Development Bank Ltd has the lowest growth ratio. Like in growth ratio of total deposits, it can be said that some

commercial banks are in good lending position while some banks are in weak condition.

- x Correlation coefficient between deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 indicates that there is significant and positive relationship between deposits and loan in all the commercial banks of Nepal under this study.
- xi This trend analysis of deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows that both the total deposits and total loan are found to be in increasing trend.

#### **4.8 Discussion**

The loan deposit ratio of the commercial banks of Nepal from F/Y 2015/16 to 2019/20 varied with some in increasing or decreasing trend and some with fluctuating trend. The growth ratio of total deposits of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows variation. Among the banks, Mega Bank Ltd has the highest growth ratio and Himalayan Bank Ltd has the lowest growth ratio. It indicates that some commercial banks have good deposit collection while deposit collection is weak in some banks. The study concluded that two of the important factors that affect the level of deposits are: the level of bank liquidity and the interest rate on deposits. The key factors for deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, government rule and regulation, service quality and customers awareness. The study found that the key factors for current deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, increase in business activities, service quality, customers awareness, which is similar to the study by Neupane (2020).

The growth ratio of total deposits of commercial banks of Nepal from F/Y 2015/16 to 2019/20 also shows variation. Mega Bank Ltd has the highest growth ratio of total lending while Agriculture Development Bank Ltd has the lowest growth ratio. Like in growth ratio of total deposits, it can be said that some commercial banks are in good lending position while some banks are in weak condition. Correlation coefficient between deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 indicates that there is significant and positive relationship between deposits and loan

in all the commercial banks of Nepal under this study. This trend analysis of deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows that both the total deposits and total loan are found to be in increasing trend. It is concluded that banks' lending is of course dependent on volume of deposits. However, given a particular monetary policy regime and barring any increase in reserves, the only way commercial banks can increase their lending capacity is to secure new deposits. Again, deposits create loans, and consequently, banks need money in order to make new loans. The reserve requirement arises with the creation of the deposit (the bank's liability), while the capital requirement arises with the creation of the loan (the bank's asset). So loans create capital requirements, deposits create reserve requirements, which is similar to Neupane (2020).

Correlation coefficient between deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 indicates that there is significant and positive relationship between deposits and loan in all the commercial banks of Nepal under this study. This trend analysis of deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows that both the total deposits and total loan are found to be in increasing trend, which is similar to Pana (2020).

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

This chapter presents the brief summary of the study and highlights the finding of the study. In addition, major conclusions derived from the study, some implications and recommendations regarding deposit mobilization of commercial banks in Nepal. Finally the chapter ends with future scope of this study.

#### **5.1 Summary**

Deposit mobilization is the collection of cash or funds. by a financial institution from the public through its current, savings, fixed, recurring. accounts and other specialized schemes. Capital formation is the backbone for the development of the nation. It is essential for the economic development and prosperity of the country. This capital is formed by the financial institutions of the country. Commercial banks are financial institutions that collect idle and scattered money from the general public and finally invest in different sectors of the national economy. They are responsible for mobilizing the deposit collected from people. Deposit mobilization is the heart of banking operations in the financial sector. Commercial banks collect the saving of people in the form of deposit collection and invest it in the productive area. They give loan to the people.

The commercial banks of Nepal under study are collecting deposit in the form of current, saving and fixed deposits and mobilizing it in different sectors as well as giving loans. The results of this study show that some banks are efficiently utilizing theirs deposits whereas some banks are lagging behind though the total deposit and total loans of these commercial banks are increasing in different percentages. The study found positive relationship between deposit and loan.

The main objective of this study is to examine and interpret the deposit mobilization by commercial banks of Nepal. The specific objectives are to explore the trend of deposits and lending of the commercial banks in Nepal, to study the composition of the total deposits of the commercial banks, to examine the relationship between deposit collection and lending of the commercial banks and to analyze the composition of total loan and advances over total deposit of the commercial banks. The research design includes

analytical as well as descriptive designs applied to understand the deposit mobilization of commercial banks of Nepal. It describes the procedure and frameworks of study used to obtain the major results and findings of the research.

The data used for this study are obtained from secondary sources. The secondary sources of data includes financial statement of the bank, annual reports, published and unpublished articles and thesis, related books and websites of the companies. The data related to deposit, deposit types and loan and advances, are collected, arranged and analyzed. There are altogether 27 commercial banks operating in Nepal. In this study, 27 commercial banks were taken as the population. Among them, 15 banks are taken as a sample through convenience sampling method for studying deposit mobilization in order to achieve the objectives of the study.

The current deposit of Agriculture Development Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Nepal Ltd, Kumari Bank Ltd, Nepal Credit and Commerce Bank Ltd and NMB Bank Ltd has decreased in one or two fiscal years but increased in the other years by different percentages. In F/Y 2019/20 the highest percentage of lending is performed by Global IME Bank, Mega Bank and Kumari Bank, which 0.68%, 0.57% and 0.51 respectively.

The loan deposit ratio of the commercial banks of Nepal under study shows variation from F/Y 2015/16 to 2019/20. Among these banks, the loan deposit ratio of Machhapuchhre Bank Ltd consistently increased throughout the study period from 0.83 to 0.91. The loan deposit ratio of Global IME Bank Ltd, Agriculture Development Bank Ltd and Nepal Credit and Commerce Bank Ltd increased and decreased irregularly. In Nabil Bank Ltd, Nepal Investment Bank Ltd, Standard Chartered Bank Nepal Ltd, and Kumari Bank Ltd, the loan deposit ratio increased from F/Y 2015/16, peaked at F/Y 2017/18 and then decreased in F/Y 2019/20. In the other banks, the loan deposit ratio increased from F/Y 2015/16 to F/Y 2018/19 and then decreased in F/Y 2019/20.

The total deposit of commercial banks of Nepal is increasing during the study period by different percentages. The current deposit of most commercial banks of Nepal is increasing during the study period except for few banks. Likewise, the saving deposit of most commercial banks of Nepal is increasing during the study period except for

few banks. Except for few banks, there is an increase in fixed deposit of commercial banks of Nepal during the study period. The total lending of commercial banks of Nepal has increased during the study period by different percentages. The loan deposit ratio of the commercial banks of Nepal from F/Y 2015/16 to 2019/20 varied with some in increasing or decreasing trend and some with irregular trend.

The growth ratio of total deposits of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows variation. Among the banks, Mega Bank Ltd has the highest growth ratio and Himalayan Bank Ltd has the lowest growth ratio. It indicates that some commercial banks have good deposit collection while deposit collection is weak in some banks. The growth ratio of total deposits of commercial banks of Nepal from F/Y 2015/16 to 2019/20 also shows variation. Mega Bank Ltd has the highest growth ratio of total lending while Agriculture Development Bank Ltd has the lowest growth ratio. Like in growth ratio of total deposits, it can be said that some commercial banks are in good lending position while some banks are in weak condition.

Correlation coefficient between deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 indicates that there is significant and positive relationship between deposits and loan in all the commercial banks of Nepal under this study. This trend analysis of deposit and loan of commercial banks of Nepal from F/Y 2015/16 to 2019/20 shows that both the total deposits and total loan are found to be in increasing trend.

## **5.2 Conclusion**

Mobilization of deposit collected by commercial banks play an essential role for the development of the nation. The more efficiently the deposits are mobilized, the stronger the economy of a nation will be. In this research, the deposit mobilization of 15 commercial banks of Nepal was studied for the F/Y 2015/16 to 2019/20. The study concluded that the total deposit and lending of commercial banks of Nepal is increasing during the study period but by varying percentages. Likewise, the current, saving and fixed deposit of most commercial banks of Nepal is increasing during the study period except for few banks where there is a decrease in deposit in one or two fiscal years.

The study concluded that two of the important factors that affect the level of deposits are: the level of bank liquidity and the interest rate on deposits. Commercial bank deposits form the basis for credit creation. They accept deposits from the public by opening a deposit account known as the primary deposit. Banks do not hold the money in the account itself, and the entire amount is not withdrawn from the account at the same time.

The concluded that the key factors for deposit growth are employees' skill, awareness, capabilities and commitment, top management cooperation, government rule and regulation, service quality, customers awareness. Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other specialized schemes. 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 factors of the economy. The success of the banking greatly lies on the deposit mobilization.

It is concluded that in the last three years, there has been a slight decrease in deposits in commercial bank due to decrease in interest rate in time deposit account. Banks' lending is of course dependent on volume of deposits. Main source of fund for lending in banks is deposits. In Nepal, around 94 percent of sources of fund is mobilized from public and corporate deposits and remaining 6 percent from the shareholders equity. Banks also earn money from interest they earn by lending out money to other clients. The funds they lend comes from customer deposits. However, the interest rate paid by the bank on the money they borrow is less than the rate charged on the money they lend.

However, given a particular monetary policy regime and barring any increase in reserves, the only way commercial banks can increase their lending capacity is to secure new deposits. Again, deposits create loans, and consequently, banks need money in order to make new loans.

The study concluded that relationship between deposit and loan of sample commercial banks using Karl Pearson's coefficient of correlation shows there is significant and positive relationship between deposits and loan in all the commercial banks of Nepal

under this study. The trend analysis indicates an increasing trend in both the total deposit and total loan of sample commercial banks under study.

### **5.3 Implications**

The following recommendations are made on the basis of the findings of the study.

#### **5.3.1 Practical Implication to banks**

- i The banks should develop attractive deposit schemes, prize, gift cheques and other scheme to increase deposit collection of the bank.
- ii The banks should attract people by lucrative interest rate on deposits and loans.
- iii The marketing strategy of the banks should be improved.
- iv The procedures of lending should be simplified and made easy for the general public.
- v The banks should perform a detail study prior to investment so that its deposit is properly utilized.
- vi The banks should expand its services in rural areas to improve its coverage of deposits.
- vii The banks should provide training and incentives to motivate staffs.

#### **5.3.2 Theoretivcal Implications for future researchers**

This study can be regarded as the preliminary steps in investigating the deposit mobilization for Nepalese commercial banks. The study remains enough ground for future researchers which are listed below:

- i. This study has taken only secondary data as sample. Academicians are suggested to take primary data as a sample for more convenient result.
- ii. The future studies can be carried out by selecting other financial institutions like development banks and finance companies to grab wider view of deposit mobilization.

- iii. This study provides some gaps for the future research by considering some secondary source of data for other variable, such as the extent of deposits, interest earnings or performance on an objective test. The research is mainly concerned with the deposit mobilization. So, it is important to understand the factor that produce the profitability. Other factors like primary data collection can be considered for the future research that are responsible for profit earnings due to deposit mobilization.
- iv. In future research, detailed assessment of the content, design and delivery of each entrepreneurial education can be beyond the scope of the current study. There can be the initial difference among the sample commercial banks. So, future research can be made by controlling the initial difference. Future research using more than 15 commercial banks and more observation would be necessary to fully evaluate the effectiveness of banks using different deposit mobilization. This study has focused on deposit mobilization. However, the study has not focus on the association between deposit and interest rate. Additional study will explore the relationship between these two constructs.

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## ANNEXES

## Annex I: Calculation of correlation between deposit and loan

1. Global IME Bank Ltd									
Year	Deposit (X)	Loan (Y)	X	x=X-X	Y	y=Y-Y	xy	x <sup>2</sup>	y <sup>2</sup>
2015/16	74682917216	60841363744	122769547468	-48086630252	107121058450	-46279694706	2225434567522100000000	2312324008992560000000	2141810142117590000000
2016/17	101910484607	78965101101	122769547468	-20859062861	107121058450	-28155957349	5873068842627690000000	4351005034391490000000	7927579342612320000000
2017/18	104850510393	92352355095	122769547468	-17919037075	107121058450	-14768703355	2646409429750890000000	3210918896952250000000	2181145987998030000000
2018/19	120088440064	113032241290	122769547468	-2681107404	107121058450	5911182840	-15848516077649300000	7188336911783620000	34942082563181600000
2019/20	212315385060	190414231022	122769547468	89545837592	107121058450	83293172572	7458556903618920000000	8018457030052840000000	6937752597042340000000
	613847737340	535605292252					<b>10520090782301200000000</b>	<b>11094161769091600000000</b>	<b>10125377354784100000000</b>
2. Agriculture Development Bank Ltd									
Year	Deposit (X)	Loan (Y)	X	x=X-X	Y	y=Y-Y	xy	x <sup>2</sup>	y <sup>2</sup>
2015/16	87387155000	83418263000	110807293400	-23420138400	103051607200	-19633344200	459815638418837000000	5485028826751550000000	3854682044756740000000
2016/17	99816272000	92725213000	110807293400	-10991021400	103051607200	-10326394200	1134976196370360000000	1208025514152580000000	1066344171737940000000
2017/18	104216460000	103987230000	110807293400	-6590833400	103051607200	935622800	-6166534000041520000	434390849065556000000	8753900238798400000
2018/19	118884920000	111750220000	110807293400	8077626600	103051607200	8698612800	70264146136380500000	65248051489027600000	75665864644323800000
2019/20	143731660000	123377110000	110807293400	32924366600	103051607200	20325502800	6692043055165260000000	10840139160112000000000	4131260640728080000000
	554036467000	515258036000					<b>13066151757087400000000</b>	<b>18620064864971900000000</b>	<b>98176994039047900000000</b>
3. Nabil Bank Ltd									
Year	Deposit (X)	Loan (Y)	X	x=X-X	Y	y=Y-Y	xy	x <sup>2</sup>	y <sup>2</sup>
2015/16	110267271749	76106000000	143936032741	-33668760992	114017347145	-37911347145	1276428085909750000000	11335854667364200000000	14372702423487000000000
2016/17	118896000000	89877000000	143936032741	-25040032741	114017347145	-24140347145	6044750828899060000000	62700323967035200000000	58275636028111000000000
2017/18	134571083275	113625000000	143936032741	-9364949466	114017347145	-392347145	36743111860543700000	877022785007337000000	153936282189651000
2018/19	162910477681	133558735725	143936032741	18974444940	114017347145	19541388580	3707870016623550000000	36002956078109200000000	3818658676345540000000
2019/20	193035331000	156920000000	143936032741	49099298259	114017347145	42902652855	21064901486299800000000	24107410895262400000000	18406376219966400000000
	719680163705	570086735725					<b>43618546302780400000000</b>	<b>46190616352148400000000</b>	<b>42426840285431900000000</b>
4. Nepal Investment Bank Ltd									
Year	Deposit (X)	Loan (Y)	X	x=X-X	Y	y=Y-Y	xy	x <sup>2</sup>	y <sup>2</sup>
2015/16	108626000000	87009000000	138059612482	-29433612482	116332000000	-29323000000	863081818815551000000	8663375437523200000000	8598383290000000000000
2016/17	125669000000	106683000000	138059612482	-12390612482	116332000000	-9649000000	1195570198407480000000	1535272776840510000000	9310320100000000000000
2017/18	140328000000	120825000000	138059612482	2268387518	116332000000	4493000000	101918651174753000000	51455819309107900000	2018704900000000000000
2018/19	149336508090	127141000000	138059612482	11276895608	116332000000	10809000000	121891964624710000000	1271683745492190000000	11683448100000000000000
2019/20	166338554321	140002000000	138059612482	28278941839	116332000000	23670000000	6693625533243960000000	79969855152223200000000	56026890000000000000000
	690298062411	581660000000					<b>178408522127228800000000</b>	<b>19518773294387300000000</b>	<b>165023196000000000000000</b>
5. Standard Chartered Bank Nepal Ltd									
Year	Deposit (X)	Loan (Y)	X	x=X-X	Y	y=Y-Y	xy	x <sup>2</sup>	y <sup>2</sup>
2015/16	55727178456	31302949596	71482695822	24424228860	45966431205	-14663481609	-358144230702617000000	5965429554056570000000	2150176928974810000000
2016/17	63872885452	39263690286	71482695822	24609195166	45966431205	-6702740919	-1649490594228050000000	60561248671827800000000	4492673582723700000000
2017/18	67061046522	46696179867	71482695822	20364866655	45966431205	729748662	148612341932947000000	41472779387593100000000	5325331096907900000
2018/19	75731527432	55633581545	71482695822	20097945887	45966431205	9667150340	1942898644148140000000	40392742887678000000000	934537956961621000000
2019/20	95020841249	56935754731	71482695822	38085086518	45966431205	10969323526	4177676355316430000000	14504738150835500000000	1203260586180570000000

	357413479111	229832156025						<b>103825444014329000000</b>	<b>3471284479960190000000</b>	<b>474256816148628000000</b>
<b>6.</b>	<b>Himalayan Bank Ltd</b>									
<b>Year</b>	<b>Deposit (X)</b>	<b>Loan (Y)</b>	<b>X</b>	<b>x=X-X</b>	<b>Y</b>	<b>y=Y-Y</b>	<b>xy</b>	<b>x<sup>2</sup></b>	<b>y<sup>2</sup></b>	
2015/16	87335785849	67745978944	102737941126	-15402155277	86926745410	-19180766466	295425143447367000000	237226387176819000000	367901802238575000000	
2016/17	92881114255	76394259228	102737941126	-9856826871	86926745410	-10532486182	103816892821116000000	97157035964867700000	110933265182447000000	
2017/18	98988791212	86197366987	102737941126	-3749149914	86926745410	-729378423	2734549053363540000	14056125077646200000	531992884521461000	
2018/19	109387060433	97518677479	102737941126	6649119307	86926745410	10591932069	70427020015760800000	44210787558720200000	112189024945837000000	
2019/20	125096953881	106777444414	102737941126	22359012755	86926745410	19850699004	443842032217158000000	499925451378253000000	394050250931526000000	
	513689705630	434633727052					<b>916245637554766000000</b>	<b>892575787156306000000</b>	<b>985606336182906000000</b>	
<b>7.</b>	<b>Everest Bank Ltd</b>									
<b>Year</b>	<b>Deposit (X)</b>	<b>Loan (Y)</b>	<b>X</b>	<b>x=X-X</b>	<b>Y</b>	<b>y=Y-Y</b>	<b>xy</b>	<b>x<sup>2</sup></b>	<b>y<sup>2</sup></b>	
2015/16	91638884356	67955107029	114871222072	-23232337716	94100307818	-26145200789	607414134393136000000	539741515768862000000	683571524297126000000	
2016/17	94091892005	77287764142	114871222072	-20779330067	94100307818	-16812543676	349353394316182000000	431780558049953000000	282661624857408000000	
2017/18	115511705922	94182247596	114871222072	640483850	94100307818	81939778	52481104448809900	410219561598443000	6714127218689280	
2018/19	129568152895	112007182134	114871222072	14696930823	94100307818	17906874316	263176093071245000000	215999775604290000000	320656147769020000000	
2019/20	143545475184	119069238189	114871222072	28674253112	94100307818	24968930371	715965429383971000000	822212791508103000000	623447483871846000000	
	574356110362	470501539090					<b>1935961532268980000000</b>	<b>2010144860492810000000</b>	<b>1910343494922620000000</b>	
<b>8.</b>	<b>Machhapuchhre Bank Ltd</b>									
<b>Year</b>	<b>Deposit (X)</b>	<b>Loan (Y)</b>	<b>X</b>	<b>x=X-X</b>	<b>Y</b>	<b>y=Y-Y</b>	<b>xy</b>	<b>x<sup>2</sup></b>	<b>y<sup>2</sup></b>	
2015/16	52291877270	43636186147	74190868762	-21898991492	66311194459	-22675008312	496559814123347000000	479565828384207000000	514156001967409000000	
2016/17	58629076680	51167860081	74190868762	-15561792082	66311194459	-15143334378	235657421030921000000	242169372815847000000	229320576096031000000	
2017/18	71142372641	64215605153	74190868762	-3048496121	66311194459	-2095589306	6388395872607710000	9293328602190810000	4391494541098040000	
2018/19	84990980346	77535940031	74190868762	10800111584	66311194459	11224745572	121228504670800000000	116642410218211000000	125994913147154000000	
2019/20	103900036875	95000380885	74190868762	29709168113	66311194459	28689186426	852331862531872000000	882634669942729000000	823069417762831000000	
	370954343812	331555972297					<b>1712165998229550000000</b>	<b>1730305609963190000000</b>	<b>1696932403514520000000</b>	
<b>9.</b>	<b>Kumari Bank Ltd</b>									
<b>Year</b>	<b>Deposit (X)</b>	<b>Loan (Y)</b>	<b>X</b>	<b>x=X-X</b>	<b>Y</b>	<b>y=Y-Y</b>	<b>xy</b>	<b>x<sup>2</sup></b>	<b>y<sup>2</sup></b>	
2015/16	37950525144	29486505624	66987361511	-29036836367	65210721219	-35724215595	1037318202585730000000	843137866227163000000	1276219579878040000000	
2016/17	47691769932	43568518061	66987361511	-19295591579	65210721219	-21642203158	417599113015169000000	372319854399012000000	468384957532145000000	
2017/18	59546335519	62393457232	66987361511	-7441025992	65210721219	-2817263987	20963334554719500000	55368867819572400000	7936976372447140000	
2018/19	73201143766	76053317026	66987361511	6213782255	65210721219	10842595807	673735294193369000000	386110899075818000000	117561883833974000000	
2019/20	116547033196	114551808152	66987361511	49559671685	65210721219	49341086933	2445328068960790000000	2456161057485340000000	2434542859729860000000	
	334936807557	326053606095					<b>3988582248535750000000</b>	<b>3765598735838670000000</b>	<b>4304646257346470000000</b>	
<b>10.</b>	<b>Laxmi Bank Ltd</b>									
<b>Year</b>	<b>Deposit (X)</b>	<b>Loan (Y)</b>	<b>X</b>	<b>x=X-X</b>	<b>Y</b>	<b>y=Y-Y</b>	<b>xy</b>	<b>x<sup>2</sup></b>	<b>y<sup>2</sup></b>	
2015/16	45815026273	23069090000	69731473906	-23916447633	60682993713	-37613903713	899590958436975000000	571996467391598000000	1414805752545880000000	
2016/17	58585445285	52260659354	69731473906	-11146028621	60682993713	-8422334359	93875579824959300000	124233954024609000000	70935716058160800000	
2017/18	65561507919	61490901073	69731473906	-4169965987	60682993713	807907360	-3368946211174560000	17388616334404800000	652714302019012000	
2018/19	80324633243	76551500777	69731473906	10593159337	60682993713	15868507064	168097623763970000000	112215024734833000000	251809516433871000000	
2019/20	98370756811	90042817362	69731473906	28639282905	60682993713	29359823649	840844295513021000000	820208525301170000000	861999244688636000000	
	348657369531	303414968566					<b>1999039511327750000000</b>	<b>1646042587786610000000</b>	<b>2600202944028570000000</b>	

11. Siddhartha Bank Ltd									
Year	Deposit (X)	Loan (Y)	$\bar{X}$	$x=X-\bar{X}$	$\bar{Y}$	$y=Y-\bar{Y}$	xy	$x^2$	$y^2$
2015/16	64934358551	55350891229	98185446575	-33251088024	88628206866	-33277315637	110650695144167000000	110563485477980000000	110737973599121000000
2016/17	77317559299	65986366620	98185446575	-20867887276	88628206866	-22641840246	472487369970555000000	435468719363843000000	512652929716329000000
2017/18	94579591123	86077253841	98185446575	-3605855452	88628206866	-2550953025	9198367872270980000	13002193540718100000	6507361334736280000
2018/19	114923367534	108149445221	98185446575	16737920959	88628206866	19521238355	326744944611137000000	280157998029731000000	381078746920531000000
2019/20	139172356368	127577077418	98185446575	40986909793	88628206866	38948870552	159639384386226000000	167992677437952000000	151701451729203000000
	490927232875	443141034329					3511331477757890000000	3514190540093610000000	3524633291254840000000
12. Mega Bank Ltd									
Year	Deposit (X)	Loan (Y)	$\bar{X}$	$x=X-\bar{X}$	$\bar{Y}$	$y=Y-\bar{Y}$	xy	$x^2$	$y^2$
2015/16	30750072436	27358982821	67953082042	-37203009606	61087928788	-33728945967	1254818300788930000000	1384063923729250000000	1137641796017820000000
2016/17	38936864812	34596626327	67953082042	-29016217230	61087928788	-26491302461	768677386897105000000	841940862326943000000	701789106058992000000
2017/18	63498999382	57120429478	67953082042	-4454082660	61087928788	-3967499310	17671569877657800000	19838852340331100000	15741050771676500000
2018/19	78684859077	72536580633	67953082042	10731777035	61087928788	11448651845	122864378958464000000	115171038333246000000	131071629077181000000
2019/20	127894614502	113827024679	67953082042	59941532460	61087928788	52739095891	3161262228295950000000	3592987313677210000000	2781412235442280000000
	339765410209	305439643938					5325293864818110000000	5954001990406980000000	4767655817367960000000
13. Nepal Credit and Commerce Bank Ltd									
Year	Deposit (X)	Loan (Y)	$\bar{X}$	$x=X-\bar{X}$	$\bar{Y}$	$y=Y-\bar{Y}$	xy	$x^2$	$y^2$
2015/16	30363555060	24429639415	57254129013	-26890573953	50662378301	-26232738886	705413404993097000000	723102967511006000000	688156589450564000000
2016/17	58795094314	44516100766	57254129013	1540965301	50662378301	-6146277535	-9471200412671860000	2374574059502400000	37776727534787200000
2017/18	57260544471	53313197195	57254129013	6415458	50662378301	2650818894	17006217811502200	41158103915908	7026840809847690000
2018/19	67035624323	63233501076	57254129013	9781495310	50662378301	12571122775	122964378469567000000	95677650503464500000	158033127829152000000
2019/20	72815826896	67819453052	57254129013	15561697883	50662378301	17157074751	266993213837653000000	242166441007991000000	294365214018264000000
	286270645064	253311891504					1085916803105460000000	1063321674240070000000	1185358499642620000000
14. NMB Bank Ltd									
Year	Deposit (X)	Loan (Y)	$\bar{X}$	$x=X-\bar{X}$	$\bar{Y}$	$y=Y-\bar{Y}$	xy	$x^2$	$y^2$
2015/16	64781463622	53021384326	90305812752	-25524349130	80305082262	-27283697936	696398631686486000000	651492398520341000000	744400173073804000000
2016/17	73224062599	61157356824	90305812752	-17081750153	80305082262	-19147725438	327076661937404000000	291786188296348000000	366635389456691000000
2017/18	83970867219	75209339535	90305812752	-6334945533	80305082262	-5095742727	32281252628012000000	40131534908610600000	25966593941811700000
2018/19	97892301967	91802993381	90305812752	7586489215	80305082262	11497911119	87228778695505300000	57554818606276800000	132201960095825000000
2019/20	131660368354	120334337245	90305812752	41354555602	80305082262	40029254983	1655392050884830000000	1710199269022370000000	160234125447802000000
	451529063761	401525411311					2798377375832240000000	2751164209353940000000	2871545371046150000000
15. Prabhu Bank Ltd									
Year	Deposit (X)	Loan (Y)	$\bar{X}$	$x=X-\bar{X}$	$\bar{Y}$	$y=Y-\bar{Y}$	xy	$x^2$	$y^2$
2015/16	60940868320	43909120609	94755870046	-33815001726	74461794471	-30552673862	1033138719396430000000	1143454341756430000000	933465880129959000000
2016/17	81349539828	59179325079	94755870046	-13406330218	74461794471	-15282469392	204881831224424000000	179729689924785000000	233553870723530000000
2017/18	97259664942	76172040705	94755870046	2503794896	74461794471	1710246234	4282105790407580000	6268988879232650000	2924942180227090000
2018/19	105488505793	89753102413	94755870046	10732635747	74461794471	15291307942	164116038228431000000	115189470069196000000	233824098570956000000
2019/20	128740771349	103295383550	94755870046	33984901303	74461794471	28833589079	979906679042744000000	1154973516547460000000	831375859165095000000
	473779350232	372308972356					2386325373682440000000	2599616007177110000000	2235144650769770000000

Source: Annual reports of sample banks, 2015/16-2019/20

## Annex II: Trend analysis of total deposit

Let, the trend line be

$$y = a+bx \dots\dots\dots (1)$$

where,

$x = X$ -middle year

<b>1. Global IME Bank Ltd</b>					
Year(X)	Deposit (y)	x=X-middle year	x <sup>2</sup>	xy	Trend Value yc = a+bx
2015/16	74682917216	-2	4	-149365834432	64080969239
2016/17	101910484607	-1	1	-101910484607	93425258354
2017/18	104850510393	0	0	0	122769547468
2018/19	120088440064	1	1	120088440064	152113836583
2019/20	212315385060	2	4	424630770120	181458125697
	$\Sigma y = 613847737340$	$\Sigma x = 0$	10	293442891145	
2020/21		3			210802414812
2021/22		4			240146703926
2022/23		5			269490993041
<b>2. Agriculture Development Bank Ltd</b>					
Year(X)	Deposit (y)	x=X-middle year	x <sup>2</sup>	xy	Trend Value yc = a+bx
2015/16	87387155000	-2	4	-174774310000	84455761800
2016/17	99816272000	-1	1	-99816272000	97631527600
2017/18	104216460000	0	0	0	110807293400
2018/19	118884920000	1	1	118884920000	123983059200
2019/20	143731660000	2	4	287463320000	137158825000
	$\Sigma y = 554036467000$	$\Sigma x = 0$	10	131757658000	
2020/21		3			150334590800
2021/22		4			163510356600
2022/23		5			176686122400
<b>3. Nabil Bank Ltd</b>					
Year(X)	Deposit (y)	x=X-middle year	x <sup>2</sup>	xy	Trend Value yc = a+bx
2015/16	110267271749	-2	4	-220534543498	102025913504
2016/17	118896000000	-1	1	-118896000000	122980973123
2017/18	134571083275	0	0	0	143936032741
2018/19	162910477681	1	1	162910477681	164891092359
2019/20	193035331000	2	4	386070662000	185846151978
	$\Sigma y = 719680163705$	$\Sigma x = 0$	10	209550596183	
2020/21		3			206801211596
2021/22		4			227756271214
2022/23		5			248711330833
<b>4. Nepal Investment Bank Ltd</b>					
Year(X)	Deposit (y)	x=X-middle year	x <sup>2</sup>	xy	Trend Value yc = a+bx
2015/16	108626000000	-2	4	-217252000000	110241089136
2016/17	125669000000	-1	1	-125669000000	124150350809
2017/18	140328000000	0	0	0	138059612482
2018/19	149336508090	1	1	149336508090	151968874155
2019/20	166338554321	2	4	332677108642	165878135829

	$\sum y = 690298062411$	$\sum x = 0$	10	139092616732	
2020/21		3			179787397502
2021/22		4			193696659175
2022/23		5			207605920848
<b>5.</b>	<b>Standard Chartered Bank Nepal Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	55727178456	-2	4	-111454356912	53393502309
2016/17	63872885452	-1	1	-63872885452	62438099066
2017/18	67061046522	0	0	0	71482695822
2018/19	75731527432	1	1	75731527432	80527292579
2019/20	95020841249	2	4	190041682498	89571889335
	$\sum y = 357413479111$	$\sum x = 0$	10	90445967566	
2020/21		3			98616486092
2021/22		4			107661082849
2022/23		5			116705679605
<b>6.</b>	<b>Himalayan Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	87335785849	-2	4	-174671571698	84332284678
2016/17	92881114255	-1	1	-92881114255	93535112902
2017/18	98988791212	0	0	0	102737941126
2018/19	109387060433	1	1	109387060433	111940769350
2019/20	125096953881	2	4	250193907762	121143597574
	$\sum y = 513689705630$	$\sum x = 0$	10	92028282242	
2020/21		3			130346425799
2021/22		4			139549254023
2022/23		5			148752082247
<b>7.</b>	<b>Everest Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	91638884356	-2	4	-183277768712	87013333563
2016/17	94091892005	-1	1	-94091892005	100942277818
2017/18	115511705922	0	0	0	114871222072
2018/19	129568152895	1	1	129568152895	128800166327
2019/20	143545475184	2	4	287090950368	142729110582
	$\sum y = 574356110362$	$\sum x = 0$	10	139289442546	
2020/21		3			156658054836
2021/22		4			170586999091
2022/23		5			184515943345
<b>8.</b>	<b>Machhapuchhre Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	52291877270	-2	4	-104583754540	48275224187
2016/17	58629076680	-1	1	-58629076680	61233046475
2017/18	71142372641	0	0	0	74190868762
2018/19	84990980346	1	1	84990980346	87148691050
2019/20	103900036875	2	4	207800073750	100106513338
	$\sum y = 370954343812$	$\sum x = 0$	10	129578222876	

2020/21		3			113064335625
2021/22		4			126022157913
2022/23		5			138979980200
<b>9.</b>	<b>Kumari Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	37950525144	-2	4	-75901050288	30446883524
2016/17	47691769932	-1	1	-47691769932	48717122518
2017/18	59546335519	0	0	0	66987361511
2018/19	73201143766	1	1	73201143766	85257600505
2019/20	116547033196	2	4	233094066392	103527839499
	$\sum y = 334936807557$	$\sum x = 0$	10	182702389938	
2020/21		3			121798078493
2021/22		4			140068317487
2022/23		5			158338556480
<b>10.</b>	<b>Laxmi Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	45815026273	-2	4	-91630052546	44361344099
2016/17	58585445285	-1	1	-58585445285	57046409003
2017/18	65561507919	0	0	0	69731473906
2018/19	80324633243	1	1	80324633243	82416538810
2019/20	98370756811	2	4	196741513622	95101603713
	$\sum y = 348657369531$	$\sum x = 0$	10	126850649034	
2020/21		3			107786668616
2021/22		4			120471733520
2022/23		5			133156798423
<b>11.</b>	<b>Siddhartha Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	64934358551	-2	4	-129868717102	60969085801
2016/17	77317559299	-1	1	-77317559299	79577266188
2017/18	94579591123	0	0	0	98185446575
2018/19	114923367534	1	1	114923367534	116793626962
2019/20	139172356368	2	4	278344712736	135401807349
	$\sum y = 490927232875$	$\sum x = 0$	10	186081803869	
2020/21		3			154009987736
2021/22		4			172618168123
2022/23		5			191226348510
<b>12.</b>	<b>Mega Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	30750072436	-2	4	-61500144872	21145666362
2016/17	38936864812	-1	1	-38936864812	44549374202
2017/18	63498999382	0	0	0	67953082042
2018/19	78684859077	1	1	78684859077	91356789882
2019/20	127894614502	2	4	255789229004	114760497721
	$\sum y = 339765410209$	$\sum x = 0$	10	234037078397	
2020/21		3			138164205561

2021/22		4			161567913401
2022/23		5			184971621240
<b>13.</b>	<b>Nepal Credit and Commerce Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	30363555060	-2	4	-60727110120	38625114277
2016/17	58795094314	-1	1	-58795094314	47939621645
2017/18	57260544471	0	0	0	57254129013
2018/19	67035624323	1	1	67035624323	66568636381
2019/20	72815826896	2	4	145631653792	75883143749
	286270645064	$\sum x=0$	10	93145073681	
2020/21		3			85197651117
2021/22		4			94512158485
2022/23		5			103826665853
<b>14.</b>	<b>NMB Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	64781463622	-2	4	-129562927244	58620602986
2016/17	73224062599	-1	1	-73224062599	74463207869
2017/18	83970867219	0	0	0	90305812752
2018/19	97892301967	1	1	97892301967	106148417635
2019/20	131660368354	2	4	263320736708	121991022519
	$\sum y = 451529063761$	$\sum x=0$	10	158426048832	
2020/21		3			137833627402
2021/22		4			153676232285
2022/23		5			169518837168
<b>15.</b>	<b>Prabhu Bank Ltd</b>				
<b>Year(X)</b>	<b>Deposit (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	60940868320	-2	4	-121881736640	62808115642
2016/17	81349539828	-1	1	-81349539828	78781992844
2017/18	97259664942	0	0	0	94755870046
2018/19	105488505793	1	1	105488505793	110729747249
2019/20	128740771349	2	4	257481542698	126703624451
	$\sum y = 473779350232$	$\sum x=0$	10	159738772023	
2020/21		3			142677501653
2021/22		4			158651378856
2022/23		5			174625256058

Global IME Bank Limited

Since,  $\sum x = 0$

$$a = \frac{\sum y}{n} = \frac{6138477373}{5} = 122769547468$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{293442891145}{10} = 29344289115$$

### Annex III: Trend analysis of lending

Let, the trend line be

$$y = a+bx \dots\dots\dots (1)$$

where,

$x = X$ -middle year

<b>1. Global IME Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	60841363744	-2	4	-121682727488	48478483501
2016/17	78965101101	-1	1	-78965101101	77799770976
2017/18	92352355095	0	0	0	107121058450
2018/19	113032241290	1	1	113032241290	136442345925
2019/20	190414231022	2	4	380828462044	165763633399
	$\sum y = 535605292252$	$\sum x = 0$	10	293212874745	
2020/21		3			195084920874
2021/22		4			224406208348
2022/23		5			253727495823
<b>2. Agriculture Development Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	83418263000	-2	4	-166836526000	83263067000
2016/17	92725213000	-1	1	-92725213000	93157337100
2017/18	103987230000	0	0	0	103051607200
2018/19	111750220000	1	1	111750220000	112945877300
2019/20	123377110000	2	4	246754220000	122840147400
	$\sum y = 515258036000$	$\sum x = 0$	10	98942701000	
2020/21		3			132734417500
2021/22		4			142628687600
2022/23		5			152522957700
<b>3. Nabil Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	76106000000	-2	4	-152212000000	72955400000
2016/17	89877000000	-1	1	-89877000000	93486373573
2017/18	113625000000	0	0	0	114017347145
2018/19	133558735725	1	1	133558735725	134548320718
2019/20	156920000000	2	4	313840000000	155079294290
	$\sum y = 570086735725$	$\sum x = 0$	10	205309735725	
2020/21		3			175610267863
2021/22		4			196141241435
2022/23		5			216672215008
<b>4. Nepal Investment Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	87009000000	-2	4	-174018000000	91043200000
2016/17	106683000000	-1	1	-106683000000	103687600000
2017/18	120825000000	0	0	0	116332000000
2018/19	127141000000	1	1	127141000000	128976400000
2019/20	140002000000	2	4	280004000000	141620800000

	$\sum y = 58166000000$	$\sum x = 0$	10	126444000000	
2020/21		3			154265200000
2021/22		4			166909600000
2022/23		5			179554000000
<b>5.</b>	<b>Standard Chartered Bank Nepal Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	31302949596	-2	4	-62605899192	32439330899
2016/17	39263690286	-1	1	-39263690286	39202881052
2017/18	46696179867	0	0	0	45966431205
2018/19	55633581545	1	1	55633581545	52729981358
2019/20	56935754731	2	4	113871509462	59493531511
	$\sum y = 229832156025$	$\sum x = 0$	10	67635501529	
2020/21		3			66257081664
2021/22		4			73020631817
2022/23		5			79784181970
<b>6.</b>	<b>Himalayan Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	67745978944	-2	4	-135491957888	67089275572
2016/17	76394259228	-1	1	-76394259228	77008010491
2017/18	86197366987	0	0	0	86926745410
2018/19	97518677479	1	1	97518677479	96845480330
2019/20	106777444414	2	4	213554888828	106764215249
	$\sum y = 434633727052$	$\sum x = 0$	10	99187349191	
2020/21		3			116682950168
2021/22		4			126601685087
2022/23		5			136520420006
<b>7.</b>	<b>Everest Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	67955107029	-2	4	-135910214058	66710771756
2016/17	77287764142	-1	1	-77287764142	80405539787
2017/18	94182247596	0	0	0	94100307818
2018/19	112007182134	1	1	112007182134	107795075849
2019/20	119069238189	2	4	238138476378	121489843880
	$\sum y = 470501539090$	$\sum x = 0$	10	136947680312	
2020/21		3			135184611912
2021/22		4			148879379943
2022/23		5			162574147974
<b>8.</b>	<b>Machhapuchhre Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	43636186147	-2	4	-87272372294	40491900574
2016/17	51167860081	-1	1	-51167860081	53401547517
2017/18	64215605153	0	0	0	66311194459
2018/19	77535940031	1	1	77535940031	79220841402
2019/20	95000380885	2	4	190000761770	92130488345
	$\sum y = 331555972297$	$\sum x = 0$	10	129096469426	

2020/21		3			105040135287
2021/22		4			117949782230
2022/23		5			130859429172
<b>9.</b>	<b>Kumari Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	29486505624	-2	4	-58973011248	24687640415
2016/17	43568518061	-1	1	-43568518061	44949180817
2017/18	62393457232	0	0	0	65210721219
2018/19	76053317026	1	1	76053317026	85472261621
2019/20	114551808152	2	4	229103616304	105733802023
	$\sum y = 326053606095$	$\sum x = 0$	10	202615404021	
2020/21		3			125995342425
2021/22		4			146256882827
2022/23		5			166518423230
<b>10.</b>	<b>Laxmi Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	23069090000	-2	4	-46138180000	29035334484
2016/17	52260659354	-1	1	-52260659354	44859164099
2017/18	61490901073	0	0	0	60682993713
2018/19	76551500777	1	1	76551500777	76506823328
2019/20	90042817362	2	4	180085634724	92330652943
	$\sum y = 303414968566$	$\sum x = 0$	10	158238296147	
2020/21		3			108154482557
2021/22		4			123978312172
2022/23		5			139802141787
<b>11.</b>	<b>Siddhartha Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	55350891229	-2	4	-110701782458	51305116670
2016/17	65986366620	-1	1	-65986366620	69966661768
2017/18	86077253841	0	0	0	88628206866
2018/19	108149445221	1	1	108149445221	107289751964
2019/20	127577077418	2	4	255154154836	125951297062
	$\sum y = 443141034329$	$\sum x = 0$	10	186615450979	
2020/21		3			144612842160
2021/22		4			163274387257
2022/23		5			181935932355
<b>12.</b>	<b>Mega Bank Ltd</b>				
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	27358982821	-2	4	-54717965642	18912721183
2016/17	34596626327	-1	1	-34596626327	40000324985
2017/18	57120429478	0	0	0	61087928788
2018/19	72536580633	1	1	72536580633	82175532590
2019/20	113827024679	2	4	227654049358	103263136392
	$\sum y = 305439643938$	$\sum x = 0$	10	210876038022	
2020/21		3			124350740194

2021/22		4			145438343996
2022/23		5			166525947799
<b>13. Nepal Credit and Commerce Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	24429639415	-2	4	-48859278830	29562972784
2016/17	44516100766	-1	1	-44516100766	40112675542
2017/18	53313197195	0	0	0	50662378301
2018/19	63233501076	1	1	63233501076	61212081059
2019/20	67819453052	2	4	135638906104	71761783818
	$\sum y = 253311891504$	$\sum x = 0$	10	105497027584	
2020/21		3			82311486576
2021/22		4			92861189334
2022/23		5			103410892093
<b>14. NMB Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	53021384326	-2	4	-106042768652	47250773783
2016/17	61157356824	-1	1	-61157356824	63777928023
2017/18	75209339535	0	0	0	80305082262
2018/19	91802993381	1	1	91802993381	96832236502
2019/20	120334337245	2	4	240668674490	113359390741
	401525411311	$\sum x = 0$	10	165271542395	
2020/21		3			129886544981
2021/22		4			146413699220
2022/23		5			162940853460
<b>15. Prabhu Bank Ltd</b>					
<b>Year(X)</b>	<b>Loan (y)</b>	<b>x=X-middle year</b>	<b>x<sup>2</sup></b>	<b>xy</b>	<b>Trend Value yc = a+bx</b>
2015/16	43909120609	-2	4	-87818241218	44592533828
2016/17	59179325079	-1	1	-59179325079	59527164150
2017/18	76172040705	0	0	0	74461794471
2018/19	89753102413	1	1	89753102413	89396424793
2019/20	103295383550	2	4	206590767100	104331055114
	$\sum y = 372308972356$		10	149346303216	
2020/21		3			119265685436
2021/22		4			134200315758
2022/23		5			149134946079

Global IME Bank Ltd

Since,  $\sum x = 0$

$$a = \frac{\sum y}{n} = \frac{5356052922}{5}$$

$$= 107121058450$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{29321287475}{10}$$

$$= 29321287475$$