

**MOBILIZATION OF DEPOSIT AND INVESTMENT OF
NABIL BANK LIMITED**

By

Ajul Pal

Campion College

T.U Regd. No.:7-2-347-41-2002

Roll No.:4193

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the degree of

Masters of Business Studies (M.B.S)

Kathmandu, Nepal

2011

Date:

RECOMMENDATION

This is to certify that the thesis

Submitted By:

Ajul Pal

Entitled

MOBILIZATION OF DEPOSIT AND INVESTMENT OF NABIL BANK LIMITED

has been prepared as approved by this Department in the prescribed format of the Faculty
of Management. The thesis is forwarded for examination.

Prof. Dr. Santosh Raj Poudel

Thesis Supervisor

Mohan Adhikari

Principal

Date:

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

Submitted By:

Ajul Pal

Entitled

MOBILIZATION OF DEPOSIT AND INVESTMENT OF NABIL BANK LIMITED

And we found the thesis to be the original work of the student written according to the prescribed format. We recommended this thesis to be accepted as partial fulfillment of the requirements for the degree of Master of Business Studies (MBS)

Viva-Voce Committee

Member (Principal)

Member (Thesis Supervisor)

Member (External Expert)

ACKNOWLEDGEMENT

This thesis entitled "Mobilization of Deposit and Investment of Nabil Bank Limited" has been prepared for partial fulfillment of the requirement of Master's Degree of Business Studies (MBS). I would like to extend my sincere regard and profound gratefulness to work under the admirable supervision of Prof. Dr. Santosh Raj Poudel and pay my sincere thanks for his valuable guidance, suggestions, timely supervision and cooperation in completing this thesis, without his support this thesis would not have come out in this manner.

Lastly, I would like to thank all those individuals and organizations that have helped me directly or indirectly in completion of this thesis. Last but not least, it would like to extend my gratitude to my parents for their intolerable hardships to uplift me to this stage.

Ajul Pal

Department of Management

Campion College

Kupondole, Lalitpur

DECLARATION

I hereby declare that the work reported in this thesis entitled “**MOBILIZATION OF DEPOSIT AND INVESTMENT OF NABIL BANK LIMITED**” submitted to Office of the Dean, Faculty Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S) under the supervision of Mr. Santosh Poudyal of Campion College.

.....

AJUL PAL

Researcher

T.U Red. No.: 7-2-347-41-2002

CHAPTER I: INTRODUCTION		Page No.
1.1	Background of the study	1
1.1.1	Background of Banking Service in Nepal	2
1.1.2	An overview of Nabil Bank Limited	3
1.1.3	Function of Nabil Bank	3
1.1.4	Deposit of Nabil Bank Limited	4
1.1.5	Deposit collection	4
1.1.5.1	Saving Deposit	5
1.1.5.2	Current Deposit	5
1.1.5.3	Fixed Deposit	6
1.2	Statement of the Problem	6
1.3	Objectives of the Study	7
1.4	Scope of the Study	7
1.5	Limitation of the Study	8
1.6	Organization of the Study	8
 CHAPTER II: REVIEW OF LITERATURE		
2.1	Introduction	10
2.2	Concept of Commercial Bank	10
2.3	Function of Commercial Bank	12
2.4	Role of Commercial Bank	13
2.5	Resources of Nepalese Commercial Banks	14
2.6	Deposit Mobilization	15
2.7	Need for Deposit Mobilization	17
2.8	Advantages of Deposit Mobilization	18
2.9	Review of Related Studies	19
2.9.1	Review of Previous Studies	19
2.9.2	Review of Articles	20
2.9.3	Review from Thesis	24
2.10	Conceptual Review of Investment	29
2.10.1	Investment on Other Company's Shares & Debentures	30
2.10.2	Other use of Fund	31
2.10.3	Off Balance Sheet Activities	31
2.11	Research Gap	31

CHAPTER III: RESEARCH METHODOLOGY

3.1	Research Design	33
3.2	Sources of Data Collection	33
3.2.1	Secondary Data Collection	33
3.2.1.1	Internal Sources	33
3.2.1.2	External Sources	33
3.3	Classification and Tabulation of Data	34
3.4	Diagrammatic Presentation of Data	34
3.5	Analytical Tools	34
a.	Statistical Tools	34
b.	Financial Tools	34

CHAPTER IV: DATA PRESENTATION AND ANALYSIS

4.1	Introduction	35
4.2	Deposit Position of Nabil Bank	35
4.2.1	Fixed deposit to Total Deposit Ratio	37
4.2.2	Saving Deposit to Total Deposit Ratio	39
4.2.3	Current Deposit to Total Deposit Ratio	40
4.2.4	Cash at Bank to Total Deposit Ratio	41
4.2.5	Cash at Bank to Current Assets Ratio	42
4.3	Loan and Advance or Credit Position of Nabil	43
4.3.1	Loan and Advance to Total Deposit Ratio	44
4.3.2	Loan and Advance to Current Asset Ratio	45
4.3.3	Loan and Advance to Saving Deposit Ratio	45
4.3.4	Loan and Advance to Total Fixed Deposit Ratio	46
4.4	Growth Ratio of Nabil Bank	47
4.4.1	Growth Ratio of Total Deposit	47
4.4.2	Growth Ratio of Total Credit	48
4.5	Interest Rate and Different Deposits	48
4.5.1	Interest Rate and Saving Deposit	48

4.5.2	Interest Rate and Fixed Deposit	49
4.6	Statistical Analysis	51
4.6.1	Coefficient of Correlation	51
4.6.1.1	Correlation Coefficient between Total Deposit and Credit	51
4.6.1.2	Correlation between Interest Rates and Saving Deposit	52
4.6.1.3	Correlation between Interest Rates and Fixed Deposit	52
4.7	Trend Analysis	53
4.7.1	Trend Analysis of Total Deposit	53
4.7.2	Trend Analysis of total credit	55
4.8	Major Findings	56
4.8.1	Major Findings from Secondary Data	56

CHAPTER V: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1	Summary	59
5.2	Conclusion	60
5.3	Recommendations	61

Bibliography

Annexure

List of Tables

Table No.		Title Page No.
4.2	Condition of Total Deposit	36
4.2.1	Fixed Deposit to Total Deposit Ratio	38
4.2.2	Saving Deposit to Total Deposit Ratio	39
4.2.3	Current Deposit to Total Deposit Ratio	40
4.2.4	Cash at Bank to Total Deposit Ratio	41
4.2.5	Cash at Bank to Current Assets Ratio	42
4.3	Loan and Advance or Credit Position of Nabil	43
4.3.1	Loan and Advance to Total Deposit	44
4.3.2	Loan and Advance to Current Assets	45
4.4	Loan and Advance to Saving Deposit Ratio	45
4.4	Loan and Advance to Total Fixed Deposit Ratio	46
4.4.1	Growth Ratio of Total Deposit	47
4.4.2	Growth Ratio of Total Credit	48
4.5.1	Interest Rate and Saving Deposit	49
4.5.2	Interest Rate and Fixed Deposit	50
4.6.1.1	Correlation Coefficient between Total Deposit and Credit	51
4.6.1.2	Correlation between Interest Rates and Saving Deposit	52
4.6.1.3	Correlation between Interest Rates and Fixed Deposit	53
4.7.1	Trend Analysis of Total Deposit	53
4.7.2	Trend Analysis of Total Credit	55

Chapter-I

INTRODUCTION

1.1 Background of the Study

Capital formation is one of the important factors in economic development. The capital formation leads to the increase in the size of national output, income and employment, solving the problem of inflation and balance of payment and making the economy free from the burden of foreign debt. Domestic capital formation helps in making a country self sustainable. According to the classical economist one of the main factor that helps capital formation, has the accumulation of capital. They though capital formation indeed plays a decisive role in determining the level and growth of national income and economic development. It seems unquestionable that the insufficient capital accumulation is the most serious limiting factors in undeveloped countries. In the view of many economists, capital occupies the central and strategic position in the process of economic development in an underdeveloped economy lies in a rapid expansion of the rate of its capital investment .So that it attains a rate of growth of output which exceeds the rate of growth of population by the significant margin. Only with such a rate of capital investment will be living standard being to improve in a developing country.

In developing countries, the rate of saving is quite low and existing institutions are helpful in mobilizing such saving as most people have income so low that vertically all current income must be spent in maintaining a subsistence level of consumptions.(Higgins;1968;804)

For the development of any country first it is required to have enough capital. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning .Due to this reason so many development planning are in pending .If these is enough capital available it can invest into the profitable projects. When people deposit money in saving and fixed account in a bank, the bank invested those funds in various business companies through lending .These firms in turn may invest money in new factory equipment to increase their production. In addition borrowing form the banks, most issue stocks and bonds that they sell to inventors to raise capital needed for business expansion. Government also issuer bonds to obtain funds to invest in such project as the construction of dams, road, schools, hospitals and other social and development fields. 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 national's standard of living. (The World Bank Encyclopedia 1966; 232)

For the economic development of a country it is very important to have an adequate saving which can be invested in productive sector. Due to low income there is fewer saving because people spend all the money in consumption of daily needs. However, some rich people who save money, they spend their money in purchasing precise metal and goods. Thus people have no idea about the investment in productive area due to lack of education. Commercial banks are the main sources, which motivate people to save their earnings. Banks collect the saving of the people in the form of deposit and invest it in the productive areas. They give the loan to the needy people, merchants and other institutions etc. Commercial banks can mobilize the deposits in different sectors, which is collected from the people and other sectors.

1.1.1 Background of Banking Service in Nepal

The origin of banking activity can be traced back to B.S. when the then Prime Minister of that time Rannadip Singh established an institution called “Tejarathe Adda” in Kathmandu. This institution provides loan to government employees and general public against the bullion. However, it didn’t collect deposit from the public and so it didn’t incorporated the characteristic of modern banking system. Tejarathe Adda used to provide loan at the rate of 5% interest. The process of modern banking in Nepal was set by Nepal Bank Limited(NBL) bank established in Kartik 30,1994 B.S. Bank of Venice is the first commercial bank established in 1157 A.D. over the year, bank been established classified on the basis of function performed by the bank.

To regulate the monetary policy of the country, a central bank, Nepal Rastriya Bank was established in 2014 B.S. This bank has been the government’s bank and has contributed the growth of financial sector. Bank of England is the first central Bank established in 1694 A.D.

Another government owned commercial bank is Rastriya Banijya Bank. It was established in 2022 B.S. This bank served the financial needs of people in urban and rural areas. To enhance agrarian economy of the country, Agricultural Development Bank was established in 2024 B.S.

The Industrial Development Bank was established in 2016 B.S. to provide financial and technical assistance to the industries in the private sector. The industrial and agricultural revolution in U.K. pioneered this type of bank.

The government of Nepal approved joint ventures banks to operate on the country only in the year 2041 B.S. Then came the hoard of joint venture public limited commercial banks. The first joint venture bank is a Nepal Arab Bank Ltd. Which is called Nabil Bank at present was established in 2041 B.S. Nepal Indosuez Bank Ltd and Nepal Grindlays Bank Ltd. was established in the year 2042 B.S. and 2043 B.S. respectively in the year 2049 B.S. Himalayan Bank Limited was established with the joint venture of Habib Bank Limited of Pakistan. Nepal SBI Bank followed Himalayan Bank Limited in the year 2051 B.S. The year

2051 B.S. saw three new banks in the banking history of Nepal. Nepal Bangladesh Bank Ltd, Everst Bak Ltd. and Bank of Kathmandu Ltd. was established in 2051 B.S. Nepal Bank of Ceylon Ltd., Lumbini Bank Ltd. and Nepal Industrial and Commercial Bank Ltd. Were established in 2052 B.S.,2053 B.S. and 2054 B.S. respectively. Siddhartha Bank Ltd, Laxmi Bank Ltd., Global Bank Ltd., Prime Bank Ltd., Citizens Bank Ltd., Bank Of Asia Ltd., Sunrise Bank Ltd. and just now Janata Bank Ltd. has been established.

1.1.2 An Overview of Nabil Bank Limited

Nabil Bank was incorporated in 1984 as a first foreign joint venture bank by the joint investment of Dubai Bank and Nepalese promoters. Nepalese investors i.e. government organization and general public owing 20% and 30% of total capital respectively and other half portion of capital is born by Dubai Bank Ltd. Later on the share owned by Dubai Bank Ltd. were transferred to Emirates Bank International Ltd. After this National Bank of Bangladesh required 50% of shares and has become the promoter. Nepal Arab Bank Ltd (Nabil) was registered in May 1984 in Department of commerce, His Majesty's Government of Nepal. Its Nepalese investors are Industrial Development Corporation (NIDC), stock exchange which subscribes the 20% shares and remaining 30% shares are subscribed to general public of Nepalese shareholders. Nabil commenced its banking operation on July 12th 1984. Now it has the highest level of deposits and advances among all joint venture banks of Nepal . Nabil bank is issuing Master cards and visa cards.The head office of Nabil Bank is situated in Kamaladi, Kathmandu. It has altogether 29 branches in present.

Nabil is the first bank to secure Nepal Rastra bank approval for opening its branch in Calcutta,India. This matter is now under consideration by Reserve Bank of India. (Gorkhapatra and Naya Patrika Daily)

1.1.3 Functions of Nabil Bank

The various functions of Nabil bank are given below:

1. Accept various types of deposits.
2. Borrowing, raising and taking up of money.
3. Lending loans as well as services.
4. Provide gurantee of services.
5. Provide facility of discounting bills and promissory notes.
6. Provide tele banking services.
7. Provide safe deposit vault.
8. Provide remittance service inside and outside the country.
9. Provide transit facility of foreign currency.

10. Provide service of letter of credit (L/C), traveller's cheque.
11. Provide facilities of bill clearing, purchase and collection services.
12. Provide locker facilities and other commercial services.

1.1.4 Deposit of Nabil Bank

Crowther in his book "An outline of Money" has defined commercial banks as "The institutions, which receive the saving from the people in different accounts by paying certain rate of interest. Therefore, Commercial bank draws surplus money from the people who don't use it at the time and lend it to those who are in the position to use it for the productive purpose." The primary function of any commercial bank in Nepal is to accept deposits in order to provide loans and advances. The deposits are the main sources of raising capital, and these deposits are received in different sorts and accounts. Only that deposits which are received in the form of cash or in that of the rights to receive cash will add to the working capital of the bank. But the deposits arising out of the discounting of bills or granting loans won't add to the working capital. Hence deposits may be created either by customers or by the bank itself. The customers created by bank when it credit customers" account in the form of loans. The saying of JM children of loans" comes true in Modern banking System. The use of funds depends on the lending policy of the bank as it provides loan from the deposits it receives. The bank is not lending their own money but furnish advances from deposits that are received from the customers. The bank collects the deposits from customers and gives certain percentage of amount as interest. The bank provides security to that money from every dangerous mishappening such as loose, theft, fire, flood, etc.

1.1.5 Deposit Collection

For a commercial banks deposit is the most important source of the liquidity. For, banks financial strength it is treated as a barometer. In the word of Eugene, "A bank deposits are the amount that it owes to its customers." Deposit is the lifeblood of the commercial bank. Though the constitution the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposit. The volume of funds that management will use for creating income through loans and investment is determined largely by the bank's policy governing deposits. In other words when the policy is restrictive, the growth of bank is restarted or accelerated with the liberalization in the deposit policy. In banking business, the volume of credit extension much depends upon the deposit base of a bank. The deposit creating powers of commercial banks forces to raise the assets along with the liability side of the balance sheet. In other words, assets give rise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by the bank management. There are regular changes on this view in the modern banking industry. Thus banks have evolved from relatively passive acceptors of deposits to active bidders for funds. Deposits are one of the aspects of the bank liabilities that management has been influencing through deliberate action (Baidhya, 1999:68). 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 of derivative deposits. They add to the supply of money. Banks actively create such deposits (The Encyclopedia Britanica, 1981;700).

For accounting and analyzing purpose, deposits are categorized mainly in three heading. They are:

- Saving Deposit
- Current Deposit
- Fixed Deposit

1.1.5.1 Saving Deposit

Saving Deposit is the most popular among all types of deposits. Saving Deposit enables general public to deposit otherwise surplus money, thereby earning certain rate of interest. The Saving Deposit can be withdrawn at anytime with the limitation of amount that can be withdrawn at a time, but at some banks there are no such limitations. Saving Deposit Account can be opened individually or can be operated by more than one. This account is suitable and appropriate for the people of middle class, farmers and the labors who have low income, officials and small businessmen. This type of account can be opened either in local currency or convertible foreign currency as approved by Nepal Rastra Bank. Mainly many of the banks calculate and credit the interest to the account on minimum monthly balances at annually. The bank allows withdrawing the amount limited to Rs. 500,000.00 within a week but the depositor can withdraw the excess or whole deposit with the prior formal notice of 7-30 days. The Bank mostly mobilizes these deposits by investing on Treasury Bills for the period of about three months. Saving deposit bears the features of both of the current and fixed period deposits. Generally most accounts are opened saving deposit in a bank. The Saving Account is given a preference on the payment of interest to other deposits.

1.1.5.2 Current Deposit

Current Deposit Account is mainly for Business Houses, but individual can also operate the account. It is also known as “Demand Deposit” because of its nature, enabling one to deposit or withdraw the amount at any time, without any limitation. The transaction in current deposit account is continual and such deposit cannot be invested in the productive sector, so such type of amount remains as stock in the bank. Though the bank cannot gain profit by investing it in new sector after receiving from the customer, this facility is given for customer convenience. Therefore the banks do not provide any interest on it. From such deposit the merchants and traders are benefited more than the individual. The bank should pay as many times as the cheque is sent until there is deposit in his account. The firms with the large volume of daily transaction operate this type of account.

The banks cannot impose any condition and restrictions in demand deposit. An institution or an individual, who usually needs money daily, precedes their acts and transaction through such deposit. The current account is very essential and important for the customers of bank. Current deposit on the one hand saves time and labor and in the other hand helps the bank to keep accurate account of the account holders, So Current Deposit is a great facility provided by the

bank to its customers. The banks provide facility of overdraft, letter of credit, remittance etc. with certain rate of interest for the current account but there must be a minimum balance maintained with the bank. The deposit of this kind is generally mobilized in short-term loans.

1.1.5.3 Fixed Deposit

Fixed Deposits are the most rigid in terms of withdrawal. The deposit remains with the bank for the fixed period of time and can't be withdrawn unless the time matures. The primary feature of such type of deposit is time period, so such type of deposit is also known as "Time Deposit". The interest rate in fixed deposit account is comparatively higher and differs according to the duration of the deposit. Bank cannot change the interest rate of fixed deposit account before the expire of deposit period but at the renewal, new interest rate as well as other terms and conditions could be altered.

Generally, fixed deposit accounts are opened by such people who want higher consideration from their surplus money, do not want to gamble in shares or debentures and are scared of business uncertainties. To open fixed deposit account, the account holder should have current account or saving account existing previously in the bank because the interest will be calculated and credited to the depositor's Current or Saving Account automatically on timely basis. The interest can be transferred in such account either quarterly, annually or after the maturation of the time according to customer's agreement. The fixed deposit account holder is provided only with a fixed deposit receipt and does not get Passbook of cheque book. Fixed deposit is the principal source of working capital for loans and advances and other investments. The amount of the fixed deposit account cannot be withdraw before the fixed time period. Although, Fixed Deposit are the main source of deposit out apparently commercial bank also depends upon other types of deposits which are the main source of working capital for mobilizing in its banking operational functions. Nabil Bank, from its initiation is being playing a vital role in the economic development of the nation by collecting otherwise scattered resources in the form of deposits and utilizing those deposits in the productive areas.

1.2 Statement of the Problem

Fund mobilizing is the most important factor for the promoters, shareholders and management. After 1984, several joint venture banks have been established in the country. Mushrooming of joint venture banks is the present situation of Nepalese financial system. There is high flow of money in the market but less viable and investible project. Most of the commercial banks are continuously benefiting to shareholders and returning them adequate profit. There are only few sectors to make a profitable investment and the investors are always reluctant to risk. Fund mobilizing policy of joint venture banks may differ from each other but there is no optimum utilization of shareholder's fund to have greater return in any bank. Nepal Rastra bank plays an important role to make commercial bank mobilize their fund in good sector. For this purpose, NRB has imposed many rules and regulations so the bank can have sufficient liquidity and security.

The insufficient information of financial risk, interest rate risk, management risk, business risk, liquidity risk, default risk & purchasing risk, granting loan against insufficient deposit,

overvalued of goods pledged, land and building mortgaged, risk averting decision regarding loan and recovery negligence in recovery of overdue loan are some of the basic lapses and the result of unsound investment policy sighted in the banks. Fund mobilizing is always related with risk and return. It is appropriate to state that the objective is to make a lot of money by recognizing the possible losses. Fund mobilizing policy also involves the identification of the potential categories of financial assets for consideration in the ultimate portfolio. In this ground the study deals with the following issues:

- Commercial banks are considered efficient but how far are they efficient?
- Is there any relationship between investment and loan & advances with total deposits and total net profit?
- Whether these commercial banks are able to meet obligations?
- Is Nabil's mobilization of deposit and investment policy effective and efficient?
- Is Nabil bank maintaining sufficient liquidity position?

1.3 Objectives of the Study

- To examine the relationship between the amount of total deposit and amount of total credit granted by Nabil.
- To examine how far the interest rates of deposits have positive relationship with the deposit collection of Nabil Bank.
- To evaluate the impact of interest rate of loan on the credit extended by Nabil bank.
- To evaluate the increasing and decreasing trend of deposit mobilization of Nabil bank.
- To compare the performance of deposit and investment of Nabil.

1.4 Scope of the Study

Good and optimum fund mobilizing policy of a bank depicts the sound health of the bank and successful formulation of fund mobilizing policy and its effective implementation is must in banking business. This study will be helpful to all banking sectors in mobilization of collected funds from public in following manner:

- The study of fund mobilizing policy would provide information to the management of the bank that would be helpful to take corrective action in the field of banking activities.
- The study would provide information to the shareholders about investment on shares of various banks.
- The study would help the depositors to make proper decision about making deposit on their money in the concerned bank.
- General public can also get information about mobilizing activities of a bank with the help of the study.
- Government gets help while formulating policy from this study.
- The study would help the student to get knowledge about the banking activities.

1.5 Limitation of the Study

Every research is limited with certain constraints. Likewise, this study is being undertaken as the partial fulfillment of the Master's Degree on Business Studies (MBS) level with in limited time and sources. The limitation to state as major are:

1. The study would be generally based on the information provided by the organization.
2. The information that is made available in the study may directly or indirectly be in the safer side of Nabil Bank but the analysis and the situation would be in the current content to fund the exactness.
3. Only one bank is considered as pioneer in the banking business of Nepal to find the fund mobilization policy ie. Nabil Bank Ltd.
4. The whole study is based on the data of 10 yrs period (ie, from 2000/01 to 2009/10) and only selected financial and statistical tools will be used for the analysis.
5. Due to the company's policies and secrecies that they have to maintain in the market, the information may not be 100% exact but the effort is entered to fund the closet.
6. Among various directives issued by NRB for commercial banks, this study will include directive regarding deposit mobilization of commercial banks only.

1.6 Organization of the study:

The research study entitled fund mobilization policy of Nabil bank will be divided into five chapters.

1. Introduction
2. Review of Literature
3. Research Methodology
4. Presentation of Data
5. Summary, Conclusion and Recommendation.

Chapter-1 Introduction

It includes the introduction and background of the study. It contains the introduction, background, definition, meaning, evolution and function of the bank. In this chapter objective of the study, significance of the study, organization of the study and limitation of the study are depicted.

Chapter-2 Review of Literature

It includes the literature review of the relevant studies. It includes the conceptual review of related studies, review of reports, journals, previous unpublished thesis etc.

Chapter-3 Research Methodology

This chapter includes how the study is done or research methodologies used are described. For this purpose various financial tools and statistical tools are defined which will be used for the analysis of the presented data.

Chapter-4 Data Presentation and Analysis

The fourth chapter, which is very important for the study, will be including presentation and analysis of the data.

Chapter-5 Summary Conclusion and Recommendation

The fifth chapter summarizes the main conclusion that flows from the study and offers suggestions for the further improvement and conclusion of the study.

A bibliography and appendices will be attached at the end of the study.

Chapter -II

REVIEW OF LITERATURE

2.1 Introduction

This chapter highlights and deals with the literature relevant to this study. The study is based on past knowledge. The studies that have been done in the past cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in the research. This continuity in the research is ensured by linking the present study with the past research studies. This study includes review of supportive tent, review of legislation related to the commercial banks and review of the thesis.

Review of literature is basically a, “Stock Taking” of available literature in ones field of research. The literature survey thus provides us with the knowledge of the status of their field of research. Therefore, this chapter has its own important in the study. (Wolf and Pant 2000:30)

- Review of Supportive Tent
- Review of Legislation related to Commercial Banks
- Review of Thesis

Review of Literature means the study of relevant topics in the related field of research or reviewing related research studies and finding all the past studies made and their conclusion and deficiencies may be known and further research can be done. In the course of research review of the existing literature would be helpful to check the changes of duplication in the present study. Thus one can find what studies have been concluded and what remains to go with.

2.2 Concept of Commercial Bank

Commercial institutions are those financial institutions which deal on accepting deposits from the people and institutions and giving loan against the securities provided by the customers. Commercial bank provides working capital needs of trade, industry and even to the agricultural sectors. Moreover commercial banks also provide technical and administrative assistance to the trade, industries and business enterprises.

“Commercial banks are a corporation which accepts demand deposits, subject to check and make short term loans to business enterprises, regardless of the scope of its other services”.

Commercial banks are the heart of financial system. They hold the deposits from common citizens of government establishment and business units of the country. 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 supply the financial needs of modern business by various means. They are restricted to invest their funds in corporate securities. Their business is confined to finance only the short term needs of trade and industry. Commercial banks cannot finance in fixed assets. A part from financing, commercial banks also lender services like collection of bills and cheque, safe keeping of valuables, financial advise etc to their customers. (Vaidya; 2001:38)

The American Institute of Banking has land 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. (Principal of Bank Operation, USA: 609)

Principally, Commercial banks accept deposits and provide loans, primarily to business firms, there by facilitating the transfer of finds on the economy. (Albrol and Gupta; 1971:65)

In the Nepalese content, commercial banks act, 2031 defines, “A commercial banks as one which exchange money, deposits money, accepts deposits, grant loans and performs commercial banking functions.”

Commercial banks can be defined as an institution which deals in money. In words of the Crowther, “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; 1985:58)

However 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 and regulations and the directives provided by Nepal Rastra Bank.

Under the free enterprise system like U.S.A, the interests of nation as well as those of individuals and stockholders are supposed to be best served by vigorously seeking profit. But only the profit cannot be the sole objective of any enterprises. No enterprise should be evaluated just on the ground of profit earned. Neither the bank nor the community will be best serve if the banker unreasonably scarifies the safety of their funds or the liquidity of their bank in an effort to increase income. (Vaidya; 1947:24)

Fro m the above definitions, commercial banks including the joint venture banks, mainly receives the money from the depositors and invest in different sectors. So, overall banks are the main source of development of nation. In the content of Nepal, it is a poor and least developed country having low per capital income and GDP. As a result, many economic problems such as

inflation, devaluation of money trade, trade deficit, budget deficit etc arises. For the sake of removing those problems, mainly joint ventures are being incorporated in our country by sharing Nepal's and foreign investment towards making more profit by using the funds in profitable sectors. Therefore bank should be invested indifferent sector which helps in the growth of national economy.

2.3 Function of Commercial Banks

Commercial banks are the most important types of financial intuition for the nations in terms of aggregate assets. Traditional functions of commercial banks are only concerned with accepting deposits and providing loan. Although the banks are inspired with the objective of gaining profit, here commercial banks are also established to accelerate the common people's economic welfare and facility. But in today content modern commercial banks work for overall development of trade, commerce, services and agriculture also. The business of banking is very broad in modern business age. There are varieties of numerous services provided by bank that will probably be expanding in near future. The recent innovation in banking services include the introduction of credit cards, accounting services of business firms, factory leasing, participating in the Euro dollar market and lock- bore banking. Along with other functions, the major functions of commercial banks are to accept deposits from the people and to lend it to those who are in need of financial old. The main functions of commercial banks are as follows:

1. Accept various and types of deposits.
2. Lending loans as well as services.
3. Borrowing raising and taking up of money.
4. Provide guarantee of services.
5. Provide facility of discounting bills and promising notes.
6. Provide tele banking services.
7. Provide safe deposit vault.
8. Provide transit facility of foreign currency.
9. Provide remittance services.
10. Provide service of letter of credit (L/C), traveler's cheque.
11. Provide facilities on bill clearing, purchase and collection services.
12. Provide locker facilities and other commercial services.

2.4 Role of Commercial Banks

The role of commercial bank in the economy is obviously a prime prerequisite for the formulation of the bank policy as the role shape the nature and character of the bank. The deposit minded banker emphasizes on safety but commercial bank often performs a number of inter-related functions. Banks are not only the custodians of the community's money but the suppliers of the liquidity. For those customers who seldom borrow from the bank, an important function may be the acceptance and safe keeping of deposits, but for those customers who often take loans from

the bank, the credit creation function may be the most important one. Commercial banks are different from other bank especially form central bank. In appearance the main distinction between central bank and commercial bank is that now a day the central bank does not perform much banking activities, but the more fundamental difference in their objectives. The main objective of the central bank is to plan and implement its effective operation on the working of the economic system whereas the main objective of the commercial bank is to make profit. The commercial bank has the shareholders and they are expected to do the best it can for them but the government by contrast usually owns the central bank. The commercial may be few or many and they are to be found business with the general public all over the country. But, there is only one central bank in each country. Its market operations are mainly impersonal and are confined to what is necessary for influencing the country's financial business in the directions citrated by economic policy. (Sayers;1972:17-18)

For all the countries of the world and more so far the developing countries like Nepal, fast economic development is one of the most important aspects of the development activities. However, it is obvious that unless the development of the most important sector like agriculture, industry and commercial are achieved envenomed development is impossible. For all kind of development in a nation the regular supply of financial resources is a prerequisite. Finance is thus like a fuel for providing energy to move the tempo of economic development financial institution naturally serve as reservoir for supplying and controlling that fuel i.e. finance commercial banks which are the financial institutions dealing with the activities of trade and commerce and agricultural industries play the most important role for the business activities of the world. The objectives of the commercial banks are to mobilize the idle resources in productive uses collecting them from the various scattered sources. Its role in economic development is thus immense in order to bring out greater mobility of resources to meet the ever increasing needs of financing and various other economic activities.

Presently the contribution of commercial banks and joint venture banks in agricultural sectors has been expanding. It provides credit facilities for the development of agriculture in such cases where Agricultural Development Banks and Co-operative societies don't enter into the field. The agricultural sectors need more and more capital for the improved methods of farming i.e. the fertilizers, equipments, irrigation facilities etc. Thus role of commercial bank in promoting agricultural sector is increasing rapidly especially in developing countries like Nepal. The economy of our country is dominated by agricultural sector. This could be exemplified from the figures that about so percent of the total population is engaged in agriculture sector and about 40 percent of the national income comes from the agricultural sector itself. Similarly about 51 percent of the export trade is in agricultural product and some of the major industries in Nepal are also mainly based on agriculture. In such an agricultural based country like Nepal, the financial help to the agriculture sector is most urgent and indispensable for strengthening the base of national economic structure.

The role of commercial bank is also indispensable for industrial development of our country Nepal. Due to insufficiency of capital, industries are depending more and more upon the supply of capital by the banks. It would not be exaggeration to state that commercial banks are mainly responsible for the industrial development achieved by Nepal. However many other financial institutions like ADB and NIDC have already been established for the development of agricultural and industrial sector of the country. Commercial banks are also continuously participating in such activities. Being a mountainous country, there are many remote places which requires many weeks to reach to such places. Due to lack of transport and communication facilities and other geographical uncertainties, the country has been still facing the problem of unbalances in economic growth. The scattered capital of the country is unable to solve the problem of unbalance of the economic growth. Commercial banks have their appropriate role to play here by expanding their branches in different hilly and terai regions of the country. In industrial sector, commercial banks are providing the necessary financial help for the industrial establishment in the country by providing loan to the local people. They provide short and medium term loan to the industries to purchase machineries, tools. Raw materials etc and to introduce new and developed techniques of the production. So, the role of commercial bank is extremely important for the development of industries, trade and commerce, agriculture, hotel, transport etc. In fact, no nation can develop itself without the establishment of such banks. Commercial banks are not only true in the capitalist countries but also true in the socialist countries and as well as in mined economic countries like Nepal.

2.5 Resources of Nepalese Commercial Banks

Resources are the only important factor for the survival for existence for everything. Therefore it plays an important role in the development of organizations, industries and other financial institutions. Commercial banks have mainly three sources for their existence and they are as follows:

1. Capital:

So far as the capital funds are concerned, it is only a nominal source. Therefore it cannot be used for investment purposes. Such Capital fund consists of two elements which are paid up capital and general reserve.

2. Deposit:

Deposits are the main sources of the commercial banks for advancing loans. Deposits are received in different forms and accounts. There are mainly three types of deposits accounts. There are mainly three types of deposits accounts and they are current account, saving account and fixed account. In developing countries 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 sources of raising capital are those deposits. Ronald (1962) rightly says, "The

deposits function of the banker is important because it has to aggregate small sums of money lying scattered here and there twenties, fifties and hundreds singly these sums have no economic efficiency what so ever but they can accomplish tasks when they are aggregated and employed by the bankers.”

3. Internal and External Borrowing:

These are very important resources for underdeveloped countries like Nepal. Commercial banks alone cannot fulfill the necessities of the society. Therefore commercial banks are allowed to borrow from both internal and external sources. Generally, external sources of borrowing means borrowing from foreign banks, foreign government, International Bank for Reconstruction and Development (IBRD), International Monetary Fund (IME) etc. Internally, commercial banks can borrow from only one source and that source is Nepal Rastra Bank.

2.6 Deposit Mobilization

In Development countries there is always shortage of the capital for developmental activities. Although there is need of development in all sector but it is not possible for the government alone to handle and develop all the sectors at a time. So people cannot undertake large business because the per capital 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 developmental works. Economic development should be accelerated in order to achieve higher rate of growth in per capital income. “Economic development may be defined in a very broad sense as a process of rising income per head through the accumulation of capital.” (Johnson; 1965:11)

In Development countries, there are two ways of capital accumulation i.e. external sources and internal sources. From the external sources we can get foreign aids and loans, while internal resources can be received from the financial institutions, which can play a very important role in the resource mobilization for the economic development of the country. In the content of Nepal, commercial bank helps in the establishment and development of trade, industry, agriculture and commerce which in turn helps in economic development of the country. For such development capital is required and such capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector of the country to increase employment and productivity. Deposit mobilization is the most dependable and important source of capital formation.

Economic development so define is necessary and so sufficient to generate rates of saving and investment. The generation of high rates of saving and there by investment is possible only

through commercial banks. Commercial banks 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. When we discuss about deposit mobilization, we are concerned with increasing the income of the low income group of people and to make them able to save more and to invest again the collected amount in the development activities. Collecting scattered small amount of capital through different Medias and investing the deposited fund in the productive sector with a new to increase the income of the depositors is known to be deposit mobilization. In 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.

Banking transaction refers to the acceptance of deposits from the people for granting loans and advances and returning the accepted deposits at demand or offer the expiry of a certain period according to the banking rules and regulations. This definition clearly states that Deposit Mobilization is the starting phase of banking transactions. Banking activities can be increased as much as we can mobilize the accumulated deposit effectively.

Increasing the income of the low-income group of people and making them able to save more deposit mobilization helps to the collected deposit in desired sectors. Deposit depends upon others on the level of country's per capital income growth rate, population growth rate, interest rate on deposits of the banks accounts, banking and financial facilities, net factor income etc. The national income measures the nation economic activities. Saving is the excess if income over consumption. Investment is the expander made for the formulation of the fixed capital. Mobilization of saving implies the transfer of resources from surplus spending units to defect units. In such, financial intermediaries play an important role in mobilization of voluntary saving. The amount of saving of a typical house hold in Nepal is very small in number because people have limited opportunities for investment. They prefer to spend savings on commodities rather than on financial assets. This rest nets the process of financial intermediation, which might otherwise bring such as reduction of investment risk and increase in liquidity when capital is highly mobile internally, saving from abroad can also finance the investment need at home.

2.7 Need for Deposit Mobilization

The reasons for need of deposit mobilization in the developing country like Nepal are as follows. Workshop report, "Deposit Mobilization why and how"(NRB Bankers Prakashan, 1984 No; 24) Group "A" states the following points as the need for deposit mobilization.

- The need of deposit mobilization is fact 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 deposits, steeping legal procedures to control unnecessary expenditures.

- Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
- 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 mobilizations.
- It is much more important to analyze 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.
- 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 sector but also in other sector 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 the bank deposit.

Developed countries does not feel the need of deposit mobilization for capital formation due to developed capital markets in every sectors but in an under developed countries and developing countries deposit mobilization plays a great role for the economic development. So for the development of these sectors, there is need of more capital. Again instead of the development of a particulars sector, the development of every sector should go side by side. The main problem of economic development of an underdeveloped country like Nepal are low national income, low per capital income, lack of technical knowhow, vicious cycle of poverty, lack of assignation and fertilizer, pressure of population increase, geographical condition etc. so the development process of these sectors on one side and to accumulate the scattered and basic need of an under developed country. We can take this in our country's present context. (NRB Bankers Prakashan, 1984:12)

2.8 Advantages of Deposit Mobilization

Economic progress is the function among others for the rate of new capital formation. Capital is needed for the economic development for a country. External sources are not dependable sources for capital, so mobilization of internal sources has a great significance. This is the only sources of receiving capital continuously for a long time. Capital formation is a slow process, which involves putting to production use that past of the current incomes which is not used for current incomes which is not used for current consumption. The process of capital formation may be divided into three, stages firstly creation of savings by individuals, business houses or public authorities, secondly mobilization and canalization of saving i.e., conversion of saving into funds-which are available for investment from agriculture, industry and trade and finally

reacquisition of capital goods are made out of such funds. The essence of the process of the diversion of a part of society's current available resources for the purpose of increasing the stock of capital goods so as to make possible expansion of consumable output in the future. Therefore the drive for capital formation requires actions to increase, mobilize and appropriately channel the domestic resources available for economic development. It is a complex problem with wide dimensions but the present survey is done in the banking sector alone which is perhaps the most important agency for this purpose. (Ghosal and Sharma; 1965;63)

Commercial banks performs a number of inter- related functions, all of which are vital and form a part of a balanced view of banking policy. Commercial banks bring in to the most important ingredient if the money supplies demand deposits through the creation of credit in the form of loans and investments. Banks are the custodian of the community's money as well as the suppliers of its liquidity. For this accepting deposit function may be the most important one. Commercial banks participate in every institution in the progress of accumulating and inventing real saving and perform a number of other incidental functions. It further states that there are various institutions that mobilize internal resources and they are commercial banks, insurance companies, post office etc. Among them commercial banks are the most effective and dependable sources of mobilizing internal resources. This is due to the fact that the commercial bank's branches are scattered all over the country. Deposit mobilization not only helps in the country's economic development, also helps to the depositor himself. The interest earns in the amount helps to raise the standard of living on one side and of the other, the depositor had ought to draw the deposited amount at the time need.

Banking systems had acquired a new significance and the banking activities a new dimension. Social responsibilities have been enjoyed by the banks by developing the economy of the country. They are assigned certain priority sectors of the economy for extending credit. All the activities of the banks are geared to accelerate the growth of the economy at all levels to iron out the regional imbalances. It is also expected now that the banks can assist a lot in solving the unemployment problem in the country.

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

2.9 Review of Related Studies

2.9.1 Review of Previous Studies

Surendra Pradhan (2000) entitled, "Financial analysis is to analyze the achieved statements to see if the result meet the objectives of the firm, to identify the problems, if any, in the past or present and/ or likely to be in the future and to provide recommendation to the solve the problems."

Weston Besley and Brigham (1996) have stated, “Financial statement analysis involves a comparison of a firm’s performance with that of other firms in the same line of business which often is identified by the firm’s industry classification.” Generally speaking the analysis is used to determine the firm’s financial position in order to identify its current strengths and weakness and to suggest actions that might enable to the firm to take advantage of strengths and current weaknesses.

Various studies have been conducted on the financial performance of commercial banks of Nepal. Many of them are concentrated to Nepalese commercial banks and only few are focused on joint venture bank especially comparative studies. In this chapter different studies made in the past have been renewed so that the chances of duplication would be avoided from the present study and some creativity can be made in this field of study.

The contribution of Prof. Dr. Govinda Bahadur Thapa in this field is equally important, the major findings of Dr.Thapa are briefly presented below.

- Commercial banks including foreign investment banks are doing pretty well in mobilizing deposits.
- They are increasing their loan and advances. However the bank still seems to lack adequate fund in granting loans, especially newly emerging banks.
- The joint venture banks have been functioning well and making huge profit every year and distributing large amount in the form of bonus and dividends to its employees and shareholders respectively.
- The main reason behind the success in concentration of those banks to modern off balance sheet operations like foreign exchange (FOREX) dealing along with traditional operations and efficient personnel management.

2.9.2 Review of Articles

In the past many researchers and analyst have analyzed the fund mobilizing policy and their analysis and findings has been done in their research paper in this subject through deposits and investments policy of commercial banks.

Joshi (1984) the chief officer of NRB in the topic “*Rural Saving Mobilization in Nepal*” states that: The ability to save and the incentive to save are the two major determinants of savings. The incentives to save as reflected in Nepal Rastra Bank real interest rate policy can be stretched for profit. It is highly probable that further increase in the growth rate of financial savings can materialize if a flexible policy is pursued to keep real interest rate at a positive level. But eventually the deposit expansion is to be bounded constrained by the low saving ability of the people as indicated by stagnant per capita GDP over the past decade. For a sustained growth of deposits or of overall saving rate the need is to increase the income level of the people in order to make saving mobilization strategy effective and successful policy measures should be taken considering two aspects of the strategy. In short run, policy should focus on the appropriate steps

to tap savings within the existing banking framework while the long run measures should be adopted with a view to raise the investment rate and making it more productive.

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

1. To extend the household saving account.
2. Win the confidence of local people.
3. Effective publicity and attractive prizes.
4. Revisions in interest rate policy.
5. Branch expansion policy
6. Credit planning.
7. To invest in priority sector (Joshi; 1984;65-66).

Bajracharya(2047 B.S.) through his article "*Monetary Policy and Deposit Mobilization in Nepal*" has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purpose commercial banks stood as the vital and active financial intermediary for generating resources in the form of deposit of the private sector so for providing credit to the investors in different aspects of the economy.

Sharma (2000) on the entitled "*Banking the Future on Competition*" found that all the commercial banks are establishing and operating in urban areas, his achievements are:

- Commercial banks are charging higher rate of interest on lending.
- Commercial banks are establishing and providing their services in urban areas only. They do not have interest to establish in rural areas. Only the RBB and NBL have branches in rural areas.
- They do not properly analyze the credit system. The researcher further states that private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Shekhar Bahadur Pradhan has presented a short glimpse on investment in different sector, its problem and prospects through his article, "*Deposit Mobilization, its Problem and Prospects*". On this article, he has expressed that, "Deposit is the life of any financial institution, commercial bank, finance company, co-operative or non government organization". He has added, in consideration of ten commercial banks, nearly three dozen of finance companies, the latest figure does produce a strong feeling that a serious review must be made or problem and prospects of deposit sector. Barring few joint- ventures banks and other organizations rely heavily on the business received deposit and credit disbursement.

In the light of this Pradhan has pointed out following problems of deposits mobilization in Nepalese perspective.

- Due to lack of education, most of the Nepalese people do not go for saving in institutional manner. However, they are very much in use of saving, be it in the form of cash or kind of ornament. Their relocation to deal with institutions system are governed

by the lower level of understanding about financial organization, process requirement, office hour withdraws system, availability of depositing facilities and so on.

- Due to the office hour of banking system people prefers for holding the cash in the personal possession.
- Unavailability of the institutional services in the rural areas.
- No more mobilization and improvement of the employment of deposits in the loan sector.

Pradhan has not only pointed out the problems but also suggested for the prosperity of deposit mobilization. They are given:

- By providing sufficient institutional services in the rural areas.
- By cultivating the habit of using rural banking unit.
- By adding service hour system to bank.
- Nepal Rastra Bank could also organize training program to develop skilled manpower.
- By spreading co-operative to the rural areas of development mini branch services. The scheme of mobilizing the deposit in the form free personal accident insurance, deposit insurance may be fruitful. Not only waiting for potential customer it is better to reach to the potential depositors. (pp. 9-10)

Morris (1980) in his discussion paper "*Latin America's Banking System in the 1980's*" has concluded that most of banks concentrated on compliance with central bank rules on resource requirement, credit allocation and interest rates. While analyzing loan portfolio quality operating efficiency and soundness of bank investment management has largely been overlooked, the huge losses now find in the banks portfolio in many developing countries and testimony to the poor quality of this ever sight investment function.

The writer adds that poor management in financial institution has involved inadequate and over optimistic loan appraisal, tax loan recovery, high risk diversification of lending and investment, high risk concentration connected and insider lending, loan mismatching. This has led many banks of developing countries to the failure in 1980's (Morris; 1980: 81)

Williamson (1998) in the topics, "*Personal Saving in Developing Nations*" found that savings and investment decisions are highly interdependent in Asian sector interest rate mostly household people to save money for short period. Its influence is less in the long run saving decision (p 25).

Chopra (1989) the article entitled, "*Role of Foreign Banks in Nepal*" has concluded that joint venture banks are playing an increasing, dynamic and vital role in the economic development of the country. This will undoubtedly increase with time.

Dr. Govinda Bahadur Thapa (1994) has presented his view that the commercial banks including foreign joint venture banks seem to be doing pretty well in mobilizing deposits. Likewise, loan advance of these banks are also increasing but compared to the high credit needs particularly by the newly emerging industries, the banks still seem to lack adequate funds. The banks are increasing their lending to non-traditional sectors along with the traditional sectors.

Nepal Bank Ltd. and Rastriya Banijya Bank Ltd. are operating with a nominal profit, the later turning to wards negative from time to time. Because of non-recovery of accrued interest, the margin between interest income and interest expenses are declining. Because of these two local banks, in traditional off balance sheet operations, these banks have not been able to increase their income from commission and discount. On the contrary, they have got heavy burden of personal and administrative overheads. Similarly, due to accumulated overdue and defaulting loans, profit position of these banks has been seriously affected.

On the other hand, the foreign venture banks have been functioning in an extremely efficient way. They are making huge profit year after year and have been distributing large amount of bonus and dividends to its employees and shareholders. Because of their effective persuasion for loan recovery overdue and defaulting loans have been limited resulting in high margins between interest income and interest expenses. Similarly, concentration of these banks to modern off balance sheet operations and efficient personnel management has added to maximize their profits.

At the end of this article, he concludes that by its varying nature of the public sector. The domestic banks couldn't compete with the private sector banks, so only remedy to the problem of these banks, as the government decided, is to hand over the ownership as well as the management of these banks to the private hands.

Dr. Sunity Shrestha (1996), in her article entitled, "*Lending Operation of Commercial Banks Of Nepal and Its Impact on GDP*" has presented an analysis of contribution of commercial banks lending to Gross Domestic Product (GDP) of Nepal. In her setting hypothesis, there has been positive impact of lending of commercial banks of the GDP as the dependent variable and various sectors of lending i.e. agricultural, industrial, commercial, service and general and social sectors as independent variables. A multiple regression technique has been applied to analyze the contribution. Except service sector lending the multiple analysis has shown that the variables has positive impact on GDP. In conclusion, she has accepted that the hypothesis i.e. there has been positive impact by the lending of commercial banks in various sector of economy.

Ramesh Lal Shrestha (1989), in his article, "*A Study on Deposit and Credits of Commercial Bank's in Nepal*" has concluded that the credit deposit ratio would be 51.30%; other things remaining the same in 2004, which was the lowest under the period of review. So he has strongly recommended that the commercial bank should try to give more entering new field as far as possible. Otherwise, they might not be able to absorb even its total expenses.

Shiva Raj Shrestha (1999), Deputy Chief Officer of NRB Banking Operation Department, has given a short glimpses on the, "*Portfolio Management in Commercial Banks, Theory and Practice*". Shrestha emphasize issue in the article.

The portfolio management becomes very important for both the individual and the institutional investors. Investors would like to select a best mix of invest assets subject to following aspects.

- Economic efficient and effective investment mix

- Higher return which is comparable with alternative opportunities available according to the risk class investors
- Maximum tax concession
- Good liquidity with adequate safety of investment
- Flexible capital investment
- Certain capital gain

In the view of above aspects the following strategies are adopted.

- Do not hold any single security; try to have a portfolio of different securities
- To find out the risk of securities depending upon the attitude of investor toward risk
- Do not put all the eggs in the one basket to have diversified investment;
- To find out the invisible assets (generally securities) having scope for better returns depending upon individual characteristic like age, need, health, deposition, tax liabilities and other liabilities.
- To identify of securities for investment to refuse volatility of return and risk.
- Choose such a portfolio of securities, which insures maximum return with minimum risk or lower of return with added objectives of wealth maximization. However, Shrestha has also presented many approaches to be adopted for designing a good portfolio and its good management.
- To develop alternative in investment strategies for selecting a better portfolio, which will ensure a trade-off between risk and return so as to attach the primary objectives of wealth maximization at lower risk.

Shrestha has presented two types of investment analysis technique, i.e. fundamental analysis and technical investment analysis to consider any securities such as equity, debenture or bond and other money and capital market instrument. He has suggested that the bank has international network can also offer access to global financial markets. He has pointed out the requirements of skilled manpower, research and analysis team and proper management information system (MIS) in any commercial bank to get success in portfolio management and customer's confidence.

According to Shrestha the portfolio management activities of Nepalese commercial banks at present are in ancient stage. However, on the other hand, most of banks are not doing such activities so far because of the following reasons.

- Lack of proper techniques to run such activities in the best and successful manner.
- Unawareness of the clients about the services available.
- Hesitation of taking risk by the clients to use such facilities
- Less developed capital market and availability of new financial instruments in the financial markets.

Regarding the joint- venture commercial banks, they are very eager to provide such service but because of above mentioned problems very limited opportunities are available to the banks for exercising the portfolio management, Shrestha has found out the following conclusion.

- In order to develop and expand the portfolio management activities successfully, the investment management methodology of a portfolio manager should reflect high standard

and give their clients the benefits of global strengths, local insights and prudent philosophy.

- The survival of the banks depends upon its own financial health and various activities.
- With the disciplined and systematic approval to the selection of appropriate countries, financial assets and the management of a various risks the portfolio manager could enhance the opportunities for each investor to earn superior return over time.
- The Nepalese banks having greater network and access to national and international capital markets have to go for portfolio management activities for the increment of their fees based income as well as to enrich the investor based and to contribute in national economy.

Bhagat Bista (1971), in his research paper, "*Nepalma Adhunik Banking Byabastha*" has made an attempt to highlight some of the important indicators, which have contributed to the efficiency and performance of joint venture banks a decade ago marks beginning of modern banking era in Nepal. The joint venture banks have brought in many new banking techniques such as computerization, hypothecation, consortium finance and modern fee based activities into the economy. These are indeed significant milestones in the financial development process to the economy.

2.9.3 Review from Thesis

Raja Ram Khadka (1995), on his study, "*A Study on the Investment Policy of Nepal Arab Bank Ltd.(NABIL) in Comparison to the Other Joint Venture Banks of Nepal*" compared NABIL with that of Grindlays Bank Ltd. (NGBL) and Nepal Indosweze Bank Ltd. (NIBL). The main objectives of the study were to evaluate the liquidity, assets management efficiency and profitability positions related to fund mobilization of NABIL in comparison to the other joint venture banks. To discuss fund mobilization and investment policy of NABIL in respect of its feebased off-balance sheet transaction and to evaluate the growth ratios of loan and advances and total investment with respective growth rate of the total deposits, and net profit of sample banks. To find out the relationship between deposit and investment, deposits and loan and advances and net profit and outside assets of sample banks. To evaluate the trends of deposit utilization and its projection for next five years of in case of NABIL comparing it with that of other JV Banks. And to suggest and recommend some measures on the banks of comparative fund mobilization and investment policy of NABIL and other JV Banks for the improvement of financial performance of NABIL in future.

Prem Bahadur Shahi (1999) has done research on "*Investment Policy of Commercial Banks in Nepal: A Comparison Study of Nepal Bank Ltd. (NBL) and Joint Venture Banks (JVBs)*." The main objectives of his study were to evaluate the liquidity, asset management efficiency and profitability and risk position of NBL in comparison to the JVBs. To discuss fund mobilization and investment policy of NBL in respect to its fee-based off-balance sheet transaction and fund based on-balance sheet transaction in comparison to the JVBs. To find out the empirical relationship between various important variables i.e. deposits, loan and advances investment, net profit etc. To analyze the deposit utilization trend and its projection for five years and to conduct hypothesis test to find whether there is significant difference between the various important ratios of NBL and the JVBs. And to provide a package of workable suggestions and possible

guidelines to improve investment policy of NBL and the JVBs based on the finding of the analysis for improvement of financial performance of NBL in future.

Shahi has found that the liquidity position of NBL is comparatively better than that of the JVBs. It has more portions of current assets as loan and advances but less portion as investment on government securities. NBL is comparatively less successful in on-balance sheet as well as off-balance sheet operation than that of the JVBs. It has not followed by any definite policy with regard to the management of its assets. It predicts that in the coming days, NBL can't mobilize and utilize its resources as efficiently as the JVBs to maximize the returns and may lag behind in the competitive market of banking. He further found that profitability position of NBL is comparatively not better than that of the JVBs. So NBL must maintain its high profit margin in future. He has further found that there is comparatively higher risk in NBL than that of the JVBs regarding various aspects of the banking function. NBL has not been more successful to increase its sources of funds i.e. deposit mobilization. Similarly, it seems to have failed to maintain high growth rate of profit. It has not made any effective strategy to win the confidence of the shareholders, depositor and its all customers. There is significant relationship between deposits and loan and advances as well as deposit and total investment which is negative of NBL, but not between profit and outside assets in case of NBL and the JVBs. NBL has higher trend values of loan and advances and deposit but lower trend value of net profit and total investment in comparison to the JVBs.

Karmacharya (1978), entitled "*A Study in the Deposit Mobilization of NBL*" has tried to examine the role of NBL in the deposit accumulation and to see how far the bank is able to utilize the collected deposits. This study covers 8 years data from year 1970 to 1977 and based on secondary data. Correlation, percentage and ratio analytical tools of statistics are used for the analysis and interpretation of data.

The writer found that the deposit credit ratio is only 52% on average which shows unutilized resources are increasing. The security-marketing corporation, which is recently established can play an active role for utilization of unutilized resources. The writer further found that NBL should not only concentrate in the extension of short-term credit only. Bank should increase the level on priority sector and extend its branches to meet growing needs of the country.

Agrawal (2002), in the thesis entitled, "*A study on deposit and investment position of Yeti finance Company Ltd.*" has tried to examine the trend of the deposit position and investment position of the Yeti Finance Company. That study was conducted on the basis of secondary data and has used various financial tools to analyze the data. Study just covered only period of 5 years i.e. 1996/97 to 2000/2001. The researcher has found that the deposit policy is not stable but has highly fluctuating trend and investment is gradually in increasing trend. The researcher found there is highly positively correlation between total deposit and total investment. The researcher concluded that finance companies have been found profit oriented, ignoring the social responsibility, which is not a fair strategy to sustain in long run. Therefore, it is suggested the company should involve in social program which helps the deprived people who are depended helps in agriculture. Agriculture is the paramount of Nepalese economy so that any finance company should not forget to invest in this sector. In order to do so, they must open their branches in remote area with an objective of providing cheaper financing services.

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

Roy (2003) on his thesis entitled, "*An investment analysis of Rastriya Banijya Bank*" has tried to analyze relationship of loan and advance, and total investments with total deposit. And to compare it with that of NBL and to compare loan and advance, total investment, total deposit and net profit of RBB and compare it with of NBL. That study was based in secondary data covering five years period from 1992/93 to 1996/97. The researcher used most of the financial tools and coefficient of correlation, multiple regression analysis, least square, standard deviation and standard deviation and coefficient of variation (CV) as statistical tools.

The researcher has found that RBB has good deposit collection, loan and advances and small investment in government securities. It also found that profitability position of RBB is the worth. RBB needs immediate step to increase its profitability. It also further found that RBB has more low quality of loan and advances. The researcher has recommended that RBB should enhance its investment in securities. Small amount investment in securities of good company brings better income that large amount investment in securities of worse companies. So RBB needs to conduct proper pre-analysis before such investment. He also recommended that RBB should decrease loan loss by decreasing its poor quality of loan and advance. It needs to revise credit collection policy. He further suggested that RBB should decrease interest expenses and unnecessary fixed assets expenses and administration expenses should be controlled. Moreover RBB should enhance its off-balance sheet operation, remittance in order to increase its earnings.

Tandukar (2003) in the thesis entitled, "*Role of NRB in Deposit Mobilization of Commercial Bank*" has tried to examine role of NRB in deposit collection by the commercial banks and to analyze the trends of deposit mobilization towards total investment and loan and advances. Projection is for five years i. e. 1998/99 to 2002/2003. The data used in that study is both secondary and primary nature. The researcher used different financial tools such as liquidity ratio, activity ratio, profitability ratio, and risk ratio and coefficient of correlation and trend analysis as statistical tools. The researcher took 17 commercial banks as population and two banks i.e. Nepal Bangladesh Bank Ltd. (NBBL) and Everest Bank Ltd. (EBL) as sample banks. The researcher found that, it can said that all new directives of NRB of commercial banks are effective and it is good for both nation and the future of the banks but the loan classification and provisioning seems to be little bit uncomfortable to the commercial banks. And deposit and loan and advances of NBBL are higher than EBL but in code of the investment of EBL is able to mobilize more funds than NBBL in this sector.

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

Pant (1979) entitled, "*A study of Deposit Collection and Utilization of Commercial Banks in Nepal*" with the main objectives are as follows:

- To find out whether commercial banks have been able to collect deposit from different sectors.
- To find out whether banks are to satisfy financial need of economy.
- To find out relationship between deposits and loans.

For the purpose of study, activities of NBL and RBB are taken together the period of 14 years i.e. 1965/66 to 2978/79. Only secondary data is used in the study to gather the required information regarding existing position of commercial banks. Researcher found that deposits are collected much from individuals and deposits from organization is very low, similarly more loans are granted to the commercial sector and a little amount to the agriculture and industrial by commercial banks. They can not utilize the deposit properly. The researcher further found that there is positive relationship between deposits and loans. He recommended that commercial banks should not limit their lending activities in only business sectors. It should be distributed in different sectors. Commercial banks also offer long term loans as well as short-term loans for short-term period. At last, the researcher suggested that the fully interest rates should be changed by making it more suitable to expand the services of commercial banks in all sectors.

Upendra Tuladhar (2000) "*A Study on the Investment Policy of Nepal Grindlays Bank Ltd. in Comparison to Other Joint Venture Banks of Nepal*" the main objectives were, to study the fund mobilization and investment policy with respect to fee-based off-balance sheet transaction and fund-based on-balance sheet.

- To evaluate the liquidity, efficiency of assets management and profitability position. To evaluate the growth ratios of loan and advances and total investment with respect to growth rate of total deposit and net profit of sample banks.
- To evaluate trend of deposit utilization toward total investment, loan and advances and its projection for five years. To perform empirical study on the customers views and ideas regarding the existing services and adopted investment policy of the joint venture banks and to provide suggestions and recommendations on the basis of the study.

Tuladhar in his study found that on the basis of primary data concludes on a well known fact that most of part of nation is surrounded by the rural areas, it is quite hard to think about the development of the country without spreading banking facilities among these areas. Further, on the basis of secondary data, the liquidity ratio of NGBL has maintained successful in its on-balance sheet operation. But in the case of off-balance sheet operation, NGBL is advance than NABIL and HBL. It predicts that NGBL has successfully maintained and manages its assets towards different income generating activities. He further explain that in the case of profitability ratio NGBL is in higher profitability position than NABIL and HBL as well as it provide interest to the customers for different activities is highly consistent. The growth ratio of net profit seemed to be satisfactory than other. Mr. Tuladhar further found that in the case of significance difference on loan and advances to total deposit ratio. Total investment to total deposit ratio, mean ratio, mean of total OBS operation to loan and advance ratio, means of investment in government securities to current ratios, mean of loan and advance to total deposits ratio in between NGBL with NABIL and HBL respectively. But there is no significant difference of mean of total interest earned to total outside assets was found in NGBL with NABIL and HBL respectively. In the case of coefficient of correlation, there is negative correlation between NGBL and NABIL but positive correlation between NGBL and HBL in respect to deposit and

total investments. In case of loan and advances to total deposit ratios increasing trends are found for NGBL and NABIL. But in case of HBL, it is decreasing trend. And in case of total investment to total deposit ratios both NGBL and NABIL used to ignore investment, as trend seemed to be decreasing. (Tuladhar; 2000 p. 35)

Samiksha Thapa (2001), on her study "*A Comparative Study on Investment Policy of Nepal Bangladesh Bank Ltd. and Other Joint Venture Banks*" shows the major objectives were to evaluate the liquidity, assets management efficiency, profitability and risk position of NB bank in comparison to NABIL and NGBL. To analyze the relationship between loan and advances total investment with other financial variables of sample banks. To examine the fund mobilization and investment policy of NB bank through off-balance sheet and on-balance sheet activities in comparison to the other two banks. To study the various risk in investment and to analyze the deposit utilization trend and its projection for improving the investment policy of NB bank on the basis of the findings of the analysis. She also found that the liquidity position of NB bank is comparatively better than that of NABIL and NGBL. It has the highest cash and bank balance to total deposit, cash and bank balance to current assets ratio. It has good deposit collections, is made enough loans and advances but it has made the negligible amount of investment in government securities. The NB bank is not in better position regarding its on-balance as well as off-balanced activities in compare to NABIL and NGBL. It does not seem to follow any definite policy regarding the management of its assets.

She further found that the profitability position of NB bank is comparatively worse than that of NABIL and NGBL. The bank must maintain its high profit margin for the well being in future. NB bank has maintained high growth rate in comparison to other banks through it is not successful to make enough investment. And can say that the bank is successful in increasing its sources of funds and its mobilization. Finally, she concluded that there is significant relationship between deposit, and loan and advances, outside assets and net profit of NB, NGBL and NABIL bank. The position of NB bank in regard to utilization of the fund to earn profit is not better in compare to NABIL and NGBL. NB bank has not provided ATM facility, credit card facility, any branch bank facilities and web site etc but these facilities are providing by NABIL and NGBL. She also found that NB bank is not in better position regarding the proportion of fee-based activities to loan and advance in compare with other two banks during the study period. NB bank in terms of recovery of loan is worse in comparison of other.

2.10 Conceptual Review of Investment

Though commercial bank can earn some interest and dividend from the investment on government securities share and debentures, it is not the major portion of income, but it is treated as a second source of banking business. Banks are such types of institutions, which deal in money and substitute for money. They deal with credit and credit instrument. The most important thing for the bank is good circulation of credit. Fluctuation in flow of credit and decisions harm the whole economy and the bank as well. Thus, to collect fund effectively and its well utilization is the very challenging job for the bank. The decision of an investment of fund may be the question of life and death for the bank. Commercial banks may extend credit by purchasing government securities, bond and shares for several reasons.

Some of them are given as.

- It may want to space its maturities so that the inflows of cash coincide with expected withdrawals by depositors or large loan demands of its customers.
- It may wish to have high-grade marketable securities to liquidate if its primary resource becomes inadequate.
- It may also be forced to invest because the demands for loan has decreased or is not sufficient to absorb its excess reserve.

However investment portfolio of commercial bank is established and maintained primarily with a view of nature of banks liabilities that is since depositors may demand funds in great volume without previous notice of banks. The investment may be of a type that can be marketed quickly with little or no shrinkage in volume.

Jerome B Chone Edward, D Zinbarg and Arthar Zeiped (1997) define the word investment “Investment has many factors, it may involve putting money into bond, treasury bills, or notes or common stocks, or painting of real estates, or mortgages or oil ventures, or selling short in bear markets. It may involve options, straddles, rights, warrants, convertibles, margin, gold silver, mutual funds, money market funds, index funds and results in accumulation of wealth or dissipation of resources diversity and challenge. Characterize the field for the able or lucky, the reward may be substantial. For the uninformed the results may be disastrous”.

According to John M. Cheney and Edward A. Moses (1986), “The investment objective is to increase systematically the individual’s wealth, defined as assets minus liabilities. The higher the level of the desired wealth the higher they must be received. An investor seeking higher return must be willing to face higher level of risk.” The word investment brings forth vision of profit, risk, speculation and wealth. Most of people invest their excess fund to different sectors for future financial gains and to protect the purchasing power of their savings against price of goods, due to inflation”.

V K Balla and S K Tutuja (1983) defines, investment in three basic concept

- Economist investment – that is an economist's definition of investment.
- The sense in which we are going be very much interested namely financial investment.
- Investment in a mire general or extended sense, which is used by ‘the man on the street’.

Frank K Reilly (1986), defines investment in this words, “An investment may be defined as the current commitment of funds for a period of time to derive a future flow of funds that will compensate the investing unit for the time. The funds are the expected rate of inflation and also for the uncertainty involved in the future flows of funds.”

From the above definition, it is clear that an investment means to trade a known rupee amount today for some expected future stream of payment of benefits that will exceed the current outlay by an amount that will compensate the investor for the time. The funds are committed for the expected changes in prices during the period and for the uncertainty involved in expected future cash flows. Thus investment is the most important function of commercial banks. It is the long-term commitment of the bank in the uncertain and risky environment. It is very challenging task for commercial banks. So a bank has to be very cautious while investing their funds in various

sectors. The success of the bank depends heavily upon the proper management of its invisible funds.

Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank for example, the bank may invest by lending the funds to various business companies. These firms in turn may invest the money in new factories and equipments to increase their production. In addition to borrowing from banks most companies issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issues bond to obtain funds to invest in such projects as the construction of dams, roads and schools. All such investment involves a present sacrifice of income to get an expected future benefit. As a result, investments raise a nation's standard of living. (Encyclopedia of Britannica;1984:7).

According to Shakespeare Baidhya (1997) on sound investment policy, “A sound investment policy of a bank is such that its funds are distributed on different types of assets with good profitability on the one hand and provide maximum safety and security to the depositors and banks. On the other hand risk on banking sectors tends to be concentrated on the loan portfolio. When a bank gets into serious financial trouble its problem usually spring from significant amount of loan that have become uncollectable due to mis-management, illegal manipulation of loan, misguided lending policy or unexpected economic downturn. Therefore, the bank investment policy must be such that it ensures that it is sound prudent in order to protect public funds”.

2.10.1 Investment on Other Company's Share and Debentures

Due to excess fund and least opportunity to invest the fund in much more profitable sector and to meet the requirement of the Nepal Rastra Banks directives many commercial banks has to utilize their funds to purchase shares and debentures of many other financial and non-financial companies. Nowadays most of the commercial banks have purchase regional development bank's, NIDC and other development bank's shares.

2.10.2 Other Use of Fund

A commercial bank must maintain the minimum bank balance with REB i.e. 6% for fixed deposits and 8% for each of current and saving deposit account in local currency. Similarly 3% cash balance of local cash balance, in local currency account must be maintained in the value of the bank. Again a part of the fund should be used for bank balance in foreign bank and to purchase fixed assets like land, building, furniture, computers, stationary etc.

2.10.3 Off Balance Sheet Activities

It involves contracts for future purchase and sale of assets and all these activities are contingent obligation. These are not recognized as assets or liabilities on balance sheet. Some good examples of these items are letter of credit, letter of guarantee, bills of collection etc. Nowadays such activities are stressfully highlighted by some economist and finance specialist to expand the modern transaction of a bank. Financial statement analysis is largely a study of relationship

among the various financial factors in a business as disclosed by the single set of statement and a study of the trend of those factors as shown in a series of statement (Mayer, J.N.; 1961: 4).

Financial statement analysis is helpful to the decision-maker for finding out favorable or unfavorable situation of a business concern. Therefore financial analysis reflects the financial position of a firm which is the process of determining the operational and financial characterization of a bank. Different type of financial statement analysis can be used on basis of our objective.

2.11 Research Gap

In the process of this research I found that no one has done deep analysis of Nabil bank. Previous researches were either done on the problem or prospects of commercial banks. But some researchers have covered both problems and prospects of commercial bank. Most of researches were done in vast way. Some researcher covered all the commercial banks and some were either in comparison study between commercial banks or study of commercial banks. But this study is focused on a particular Nabil bank. This study has covered both the problems as well as remedies on deposit mobilization of Nabil. This study is specific in order to analyze and explain the present pattern of increasing trends of deposit in the bank although interest rates are continuously fluctuating. The findings of previous researcher were merely based on secondary data. But this study is based on primary as well as secondary data. Previous researcher has not done, moreover this study has not been done by previous researches as separately. Thus to fill up the gap the current research has been conducted.

A large no. of people in Nepal resides in rural areas. Most of them depend on agriculture and agriculture related activities for their live hoods; most of them can't save much to attract deposit taking instructions to open the branch of bank and even the poor and ultra poor in rural areas can save. Their saving could be used to improve the supply of financial resources to rural people themselves; reduces poverty and underdevelopment from rural areas. Most of the commercial banks have a wrong notion that the poor people can not perform banking transactions. They can't repay their loan and pay interest rate. So they are interested in profitable business. If commercial banks do not lend their financial resources to rural areas by expanding their banks, they have to depend on funding from bilateral and multilateral donor agencies.

So banks play a vital role in developing country like Nepal. If banks perform well or be able to earn profit, it will be definitely support to the nation to show the important of banks, which helps in national growth. So, this study has been conducted.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology describes the method and process applied in the entire subject of the study. This chapter describes the methodology employed in the study of deposit mobilization of Nabil Bank. The followings are the details of research methodology used in the analysis:

3.1 Research Design

Research design is the planned structure and strategy of investigation conceived so as to obtain answer to research question and control variance. To achieve the objectives of the study, descriptive as well as analytical research design have been used. This study is based on secondary data. Some simple statistical methods such as trend line and correlation analysis have been applied to examine the facts of the data. The study not only derives data but also provides recommendations and suggestions by taking Nabil Bank as a sample of the study.

3.2 SOURCE OF DATA COLLECTION

3.2.1 SECONDARY DATA COLLECTION

In this study secondary data are collected from the secondary sources. This secondary sources consists of two sources. One is the internal source and the other is external source. These sources of information will be collected namely.

3.2.1.1 INTERNAL SOURCES

- Annual reports of the bank
- Interest rate charts
- Brochure
- Booklets, etc

3.2.1.2 EXTERNAL SOURCES

- Book publications
- Journal articles, Articles from newspapers
- Banking statistics of NRB
- Local newspapers

- Previous filed work reports, etc

3.3 CLASSIFICATIONS AND TABULATIONS OF DATA

The collected data are classified and tabulated in order to make it easily understandable. The data are classified in chronological order i.e on the basis of time intervals. After classifications the data are tabulated i.e arranging the data in column and rows systematically.

3.4 DIAGRAMMATIC PRESENTATION OF DATA

In this study various diagrams are used to present the data more clearly. The diagrams used in this study are:

- Bar Diagram
- Trend Diagram

3.5 ANALYTICAL TOOLS

In this study various tools are used. Mainly two tools are used and they are:

a. Statistical Tools

- Coefficient of correlation
- Trend Analysis

b. Financials Tools

- Percentage Analysis
- Ratio Analysis
- Growth Rate Analysis

CHAPTER- IV

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

Presentation and analysis of data is the most important part in any research or dissertation. So, this chapter is said to be more effective and evaluative in the research process. Therefore analysis parts are presented in detail. Different required financial and statistical analysis which are related to the deposit mobilization are studied to evaluate and analyze the performance and condition of financial position of Nabil bank. This analysis may help the bank to improve any wrong situation of the bank's financial condition. So the deposit mobilization of Nabil bank studies the economic good or bad trend of the bank. Data are analyzed according to the figures in the table and mentioning the reasons of increasing and decreasing trend of the data .This chapter recommends suggestions for its improvement through this research study.

4.2 DEPOSIT POSITION OF NABIL BANK

Deposit is that type of amount which is deposited by the common people in the banks or other financial institutions for keeping it safe with an obligation to invest for it. The main sources of any bank or financial institutions are the different types of deposits for its financial existence. The existence of any type commercial banks basically depends upon the proper mobilization of its deposits. The commercial banks only may function when they have adequate amount of deposit. Higher the volume of deposits higher will be the volume of investment and lending which would generate the volume of profit. So, the commercial bank at first will try to mobilize the collected deposit as much as they can in the safe and secured sectors. Therefore deposit amount is the most essential part of any bank or financial institutions which systematically generates or mobilizes and in turn helps in the existence of the bank for a long period of time.

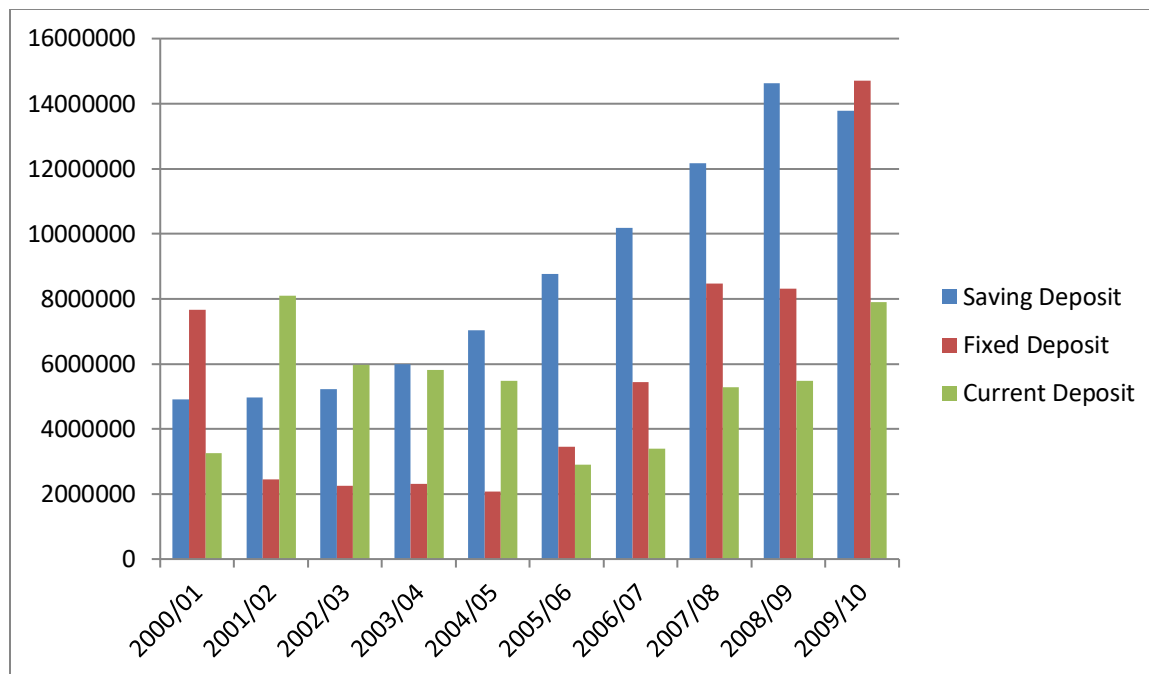
Table 4.2
Condition of Total Deposit

in 000

Year	Saving Deposit	Fixed Deposit	Current Deposit	Total Deposit	Percentage
2000/01	4917183	7667541	3254283	15839007	23.94
2001/02	4972057	2446846	8087525	15506428	- 2.10
2002/03	5229723	2252545	5965393	13447661	-13.28
2003/04	5994121	2310572	5814339	14119032	4.99
2004/05	7026334	2078535	5481740	14586609	3.31
2005/06	8770759	3449094	2910589	15130442	3.72
2006/07	10187354	5435189	3395239	19017782	25.69
2007/08	12159966	8464086	5284368	25908420	36.23
2008/09	14620407	8310708	5480533	28411648	9.66
2009/10	13783585	14711158	7904619	36399362	28.11

Sources: Annual Reports of Nabil Bank

The above table shows the condition of deposits which is the main source of banks or financial institutions. This table shows the calculated amount of total deposit. Here, saving and fixed deposit are the actual amount of deposits which was provided in the bank's financial report but in current deposit we have excluded the total amount of call deposit, margin deposit and other deposit for the calculation. The above table shows that the banks deposited amount decreased in 2001/02 to Rs. 15506428 thousand and in 2002/03 to Rs. 13447661 thousand as compared to 2000/01 to Rs. 15839007 thousand. Later, in the year 2004/05 the deposited amount increased to Rs. 14586609 thousand, in 2005/06 to Rs. 15130442 thousand, in 2006/07 to Rs. 19017782 thousand, in 2007/08 to Rs. 25908420 thousand, in 2008/09 to Rs. 28411648 thousand and in 2009/10 to Rs. 36399362 thousand. In percentage the total deposit amount was 23.94% in 2000/01. Later, it decreased to -2.10% in 2001/02 and -13.28% in 2002/03. In the year 2003/04 it was 4.99%, 3.31% in 2004/05, 3.72% in 2005/06, 25.69% in 2006/07, 36.23% in 2007/08, 9.6% in 2008/09 and 28.11% in 2009/10. The negative condition of deposit means the low attraction of people in the deposit and in the time of Maoist revolution and other economic crisis.



Total Deposit Position of Nabil Bank

4.2.1 Fixed deposit to Total Deposit Ratio

Fixed deposit accounts means an account of amount deposited in a bank for a certain period of time .A person can renew the fixed deposit account after the expiry of the fixed time period. Usually the interest is awarded every 6 month in this deposit at Nabil bank. Any Nepalese citizen can open such fixed deposit account with a minimum balance of Rs.50000 in Nabil bank. The rate of interest in the fixed deposit is higher than that of other deposit accounts .In fixed deposit account a person cannot add deposit money again in this deposit before the expiry of the fixed time period. The following table shows the fixed deposit position and percentage of fixed deposit with comparison to the total deposit.

Table 4.2.1**Fixed Deposit to the Total Deposit ratio***Rs. in 000*

Year	Fixed Deposit	Total Deposit	Ratio in %
2000/01	7667541	15839007	48.41
2001/02	2446846	15506428	15.78
2002/03	2252545	13447661	16.75
2003/04	2310572	14119032	16.36
2004/05	2078535	14586609	14.25
2005/06	3449094	15130442	22.79
2006/07	5435189	19017782	28.57
2007/08	8464086	25908420	32.66
2008/09	8310708	28411648	29.25
2009/10	14711158	36399362	40.41

Sources: Annual Reports of Nabil Bank

The above table shows the increasing and decreasing volume of fixed deposit during the 10 year study period. Fixed deposit to total deposit ratio indicates the amount of fixed deposit situation in the total deposit. As compared to 2000/01 i.e Rs.7667541 thousand the amount of fixed deposit started decreasing from 2001/02 to 2004/05 i.e Rs. 2446846 thousand to Rs. 2078535 thousand respectively. Similarly, in percentage the part of fixed deposit in total deposit was 48.41% in 2000/01 but later it started decreasing from 2001/02 i.e 15.78% to 2004/05 i.e 14.25%. Again the fixed deposit amount started to increase from 2005/06 i.e 22.79% to 2007/08 i.e 32.66%. In 2008/09 the percentage decreased to 29.25%, again the percentage of fixed deposit to total deposit has increased to 40.41 % in the year 2009/10. The amount of fixed deposit and its percentage was fluctuating in the 10 year study period because of different financial and economic disorder in that period of time and other factors like low interest rates and competitive banking sector.

4.2.2 Saving Deposit to Total Deposit Ratio

The deposit in saving account has also become one of the vital features of commercial banks. In NABIL Bank the minimum balance in saving account is Rs 25000. So it is a little more amount than the other commercial banks. But the saving account holder doesn't have the same facility of withdrawn money as the current account holders. If the customer wants to withdraw more money from the bank, in this situation they can withdraw the amount according to their need.

Table 4.2.2
Saving Deposit to Total Deposit Ratio

Rs. in 000

Year	Saving Deposit	Total Deposit	Ratio in %
2000/01	4917183	15839007	31.04
2001/02	4972057	15506428	32.06
2002/03	5229723	13447661	38.89
2003/04	5994121	14119032	42.45
2004/05	7026334	14586609	48.17
2005/06	8770759	15130442	57.96
2006/07	10187354	19017782	53.56
2007/08	12159966	25908420	46.93
2008/09	14620407	28411648	51.46
2009/10	13783585	36399362	37.86

Sources: Annual Reports of Nabil Bank

The above table shows that the amount deposited in saving account from 2001/01 to 2009/10. The above table shows the increasing trend of saving deposit in the part of total deposit. The saving deposit amount was Rs.4917183 thousand in 2000/01 and it was continuously increased up to the study period i.e 2005/06 was Rs.8770759 thousand. The percentage increase or decrease in the ratio increases with the increase in the amount of saving deposit and vice-versa. Here in total deposit amount the saving deposit amount is included. The percentage i.e the ratio of saving deposit was 31.04% in 2000/01, 32.06% in 2001/02 and it continuously increased up to 57.96% in 2005/06. Later the ratio started to decrease from the year 2006/07 i.e 53.56%, 46.93% in 2007/08, again increased to 51.46% in 2008/09 and decreased to 37.86% in 2009/10. Such trends indicates that the amount of deposit mainly portable or moveable by the collection of saving deposit than that of fixed deposit and current deposit, so that we can find out the conclusion of the deposit collection. Much more people are attractive in the collection of money in saving deposit. The continuous increase of saving deposit shows that the expansion of economic activities as well as successful collection of deposit. This also shows that the improving habits of Nepalese people even with the lower income.

Table 4.2.3
Current Deposit to Total Deposit Ratio

Rs. in 000

Year	Current Deposit	Total Deposit	Ratio in %
2000/01	3254283	15839007	20.55
2001/02	8087525	15506428	52.16
2002/03	5965393	13447661	44.36
2003/04	5814339	14119032	41.18
2004/05	5481740	14586609	37.58
2005/06	2910589	15130442	19.23
2006/07	3395239	19017782	17.85
2007/08	5284368	25908420	20.39
2008/09	5480533	28411648	19.29
2009/10	7904619	36399362	21.72

Sources: Annual Reports of Nabil Bank

The above table shows the total current deposit with the comparison of total deposit of NABIL and its ratio in the study period. Current deposits are that type of deposit which is withdrawn by the depositor at any time when required. In current deposit bank does not give any interest. But bank gives any time money and overdraft facilities to the beliefs person or depositors. In the year 2000/01 the current deposit amount was Rs. 3254283 thousand and its ratio to total deposit was 20.55%. But the increase of percentage was little floatable i.e 52.16% in 2001/02, 44.36% in 2002/03, 41.18% in 2003/04, 37.58% in 2004/05, 19.23% in 2005/06, 17.85% in 2006/07, 20.39% in 2007/08, 19.29% in 2008/09 and 21.72% in 2009/10. It indicates that over the one third part of total deposit bears by the current deposit. So that most of the depositors wants to deposit the money in current account for daily business purpose and emergency purpose respectively. The ratio of current deposit to total deposit indicates that the current deposit bears high degree of percentage in total deposit account.

4.2.4 Cash at Bank to Total Deposit

Cash is one of the most important things, which is required in every step of life. Therefore it measures the personality of a person and of an institute. A person or a businessman, who have more money/cash, indicates him as a rich person. Now a day, if there is no good management in saving of cash, it is dangerous. Therefore many people collect the money/cash in bank. The bank gives interest in fixed and saving account and it gives withdraw and overdraft facilities in current account. Therefore, cash is the property of bank and other financial institutions. It comes from capital or long term deposited amount or fixed deposited amount. Bank could invest this type of amount and can earn more. The limited or required amount must be in liquidity position, which must be required for payment of cash, cheque and other drafts and overdrafts.

Table 4.2.4
Cash at Bank to Total Deposit Ratio

Rs. in 000

Year	Cash at Bank	Total Deposit	Ratio in %
2000/01	1335456	15839007	8.43
2001/02	1083188	15506428	6.99
2002/03	1817972	13447661	13.52
2003/04	1889219	14119032	13.38
2004/05	1427809	14586609	9.79
2005/06	2365141	15130442	15.63
2006/07	1963358	19017782	10.32
2007/08	4623502	25908420	17.85
2008/09	3925401	28411648	13.82
2009/10	4518242	36399362	12.41

Sources: Annual Reports of Nabil Bank

The above table shows the amount of cash at bank and its position in total deposited amount. Therefore, in 2000/01 cash at bank amount was Rs.1335456 thousand which was 8.43% in total deposit, i.e it was 8.43 in ratio of total deposit. In 2001/02 the cash collected amount was Rs.1083188 thousand i.e 6.99%, and Rs.1817972 thousand i.e 13.52% in 2002/03. This is the least collected amount in this study period because of different financial unbalance condition in that period.

But later in the following year it was i.e 13.38% in the year 2003/04. Later the condition fluctuated i.e 9.79% in 2004/05, 15.63% in 2005/06, 10.32% in 2006/07, 17.85% in 2007/08, 13.82% in 2008/09 and 12.41 in 2009/10. According to NRB the bank must maintain 5% cash balance which was covered by Nabil bank according to the study. Therefore the banks cash reserve ratio was satisfactory.

4.2.5 Cash at bank to Current Assets

Cash is one of the most important part of current assets which is convertible in a years time period which may be required in any time. In current assets the higher part of cash is suitable for the sudden requirement, total deposited amount are the banks liability and current assets means its property.

Table 4.2.5

Cash at bank to Current Asset Ratio

Rs. in 000

Year	Cash at Bank	Current Asset	Ratio in %
2000/01	1335456	12234936	10.91
2001/02	1083188	10093491	10.73
2002/03	1817972	12529570	14.51
2003/04	1889219	11705973	16.14
2004/05	1427809	17197015	8.30
2005/06	2365141	17651159	13.40
2006/07	1963358	21266149	9.23
2007/08	4623502	28417579	16.27
2008/09	3925401	32517247	12.72
2009/10	4518242	43743141	10.33

Sources: Annual Reports of Nabil Bank

The above table shows the bank had same amount of cash at bank as table no. 4.5. But it was different in percent because of different amount of current assets. The cash part in current assets was 10.91% in 2000/01 and it was 10.73% in 2001/02. It was 14.51% on 2002/03 and 16.14% in 2003/04. And it was 8.30% in 2004/05 which was least in the ten year study period. In the year 2005/06 it was 13.40%, 9.23% in 2006/07, 16.27% in 2007/08, 12.72% in 2008/09 and 10.33% in 2009/10. It indicates that the part of cash in current assets was so satisfactory. Or the current assets in 2000/01 was Rs 12234936 thousand, in 2001/02 it was Rs 10093491 thousand and was Rs 12529570 thousand in 2002/03. In the year 2003/04. The amount of current assets was 17197015 thousand 2004/05, Rs. 17651159 thousand in the year 2005/06, Rs. 17651159 thousand in the year 2006/07, Rs. 28417579 thousand in 2007/08 and the amount in the year 2008/09 and 2009/10 was highest i.e Rs. 32517247 thousand and Rs. 43743141 thousand respectively. Therefore it indicates that the part of cash was larger than other current assets in study period.

4.3 Loan and Advance or Credit Position of Nabil

The total credit is the amount of loan and advance and investment. Loan is the sum of the money that will be repaid by the borrower. Investment is defined simply to be the sacrifice of current consumption for future consumption whose future objective is to increase future wealth. Total credit is composed of loan and advance and investment. Nabil bank has invested different treasury bills and invested in different development shares. Up to 2007/08 Nabil Bank have invested its amount of shares in different 12 development bank like Nirdhan Utthan Bank Ltd., Eastern Rural Development Bank, Mid Western Rural Bank, Far Western Rural Development Bank, Sanakisan Development Bank, Swabalamban Bikash Bank Ltd. etc. It has invested in different debentures and bond also, like IDBI bank bonds, Development Bank of Singapore bond and Korean Development bank bond etc. Similarly in loan and advance in performing loans and non performing loans. Bank also provide loan for general public for different purposes facilities like home loan, vehicle loan, education loan, business loan, industrial loan, staff loan and overdraft loan facilities etc.

Table 4.3

Loan and Advance or Credit Position of Nabil

Rs. in 000

Year	Loan & advance amount	Percentage Change
2000/01	8324439	15.43
2001/02	7437894	-10.65
2002/03	7755952	4.28
2003/04	8189993	5.60
2004/05	10589670	29.30
2005/06	31019750	19.29
2006/07	15545778	-49.88
2007/08	21365053	37.43s
2008/09	27589933	29.13
2009/10	32268873	16.96

Sources: Annual Reports of Nabil Bank

The above table shows the condition of loan and investment status of Nabil bank in different sectors. Loan and advances in 2000/01 was Rs. 8324439 thousand i.e 15.43% , Rs. 7437894 thousand i.e 10.65% in 2001/02, Rs.7755952 thousand i.e 4.28%, Rs.8189993 i.e 5.60% in 2003/04, Rs.10589670 thousand i.e 29.30% in 2004/05, Rs.31019750 thousand i.e 19.29% in 2005/06, Rs.15545778 thousand i.e 49.88% in 2006/07, Rs.21365053 i.e 37.43% in 2007/08, Rs. 27589933 thousand i.e 29.13% in 2008/09 and Rs.32268873 i.e 16.96% in 2009/10. The above table shows the fluctuation of loan and advances or credit ratios in each financial year of the bank.

Table 4.3.1

Loan and Advance to Total Deposit

Rs. in 000

Year	Loan & Advance (Credit)	Total Deposit	Ratio in %
2000/01	8324439	15839007	52.56
2001/02	7437894	15506428	47.97
2002/03	7755952	13447661	57.66
2003/04	8189993	14119032	58.00
2004/05	10589670	14586609	72.60
2005/06	31019750	15130442	20.50
2006/07	15545778	19017782	81.74
2007/08	21365053	25908420	82.46
2008/09	27589933	28411648	97.10
2009/10	32268873	36399362	88.65

Sources: Different Annual Reports of Nabil Bank

The above table shows that the loan and advances amount was same as table no 4.7 but here we show the percentage ratio of loan & advances with total deposits. Its percentage in 2000/01 was 52.56% and gradually increased to 72.60% in 2004/05. It shows that more than 50% of the deposited amount was given as loan & advances. In the year 2005/06 its ratio was 20.50% but it again increased up to 81.74% in 2006/07, 82.46% in 2007/08, 97.11% in 2008/09 and 88.65% in 2009/10. From the above analysis, it can be said that there is greater relationship between deposit and loan & advances. Increase in the total deposit leads to increase in flow of loan & advances. The above analysis shows that more than 50% of the deposited amount has been succeeded to mobilize as loan & advances. The higher amount of deposit of this bank than credit is due to the constriction of this bank in deposit collection. This shows the effective working policy of the bank. So, higher utilization of the resources in the bank means good managing ideas or policy of the bank.

Table 4.3.2
Loan and Advance to Current Asset

Rs. in 000

Year	Loan & Advance (Credit)	Current Asset	Ratio in %
2000/01	8324439	12234936	68.04
2001/02	7437894	10093491	73.70
2002/03	7755952	12529570	61.90
2003/04	8189993	11705973	69.96
2004/05	10589670	17197015	61.58
2005/06	31019 750	17651159	175.74
2006/07	15545778	21266149	73.10
2007/08	21365053	28417579	75.18
2008/09	27589933	32517247	84.85
2009/10	32268873	43743141	73.77

Sources: Annual Reports of Nabil Bank

The above table shows that more than 50% part of total current assets bears the loans and advance. The loan and advance in 2000/01 was 68.04% in total current assets. In 2001/02 it was 73.70%, 61.90% in 2002/03, 69.96% in 2003/04, 61.58% in 2004/05, 175.74% in 2005/06 73.10% in 2006/07, 75.18% in 2007/08, 84.85% in 2008/09 and 73.77% in 2009/10 and it is found that nearly half of the part of current assets was given as loan and advances.

Table 4.3.3
Loan and Advance to Saving Deposit Ratio

Rs. in 000

Year	Loan and Advance	Saving Deposit	Ratio in %
2000/01	8324439	4917183	1.69
2001/02	7437894	4972057	1.50
2002/03	7755952	5229723	1.48
2003/04	8189993	5994121	1.37
2004/05	10589670	7026334	1.51
2005/06	31019750	8770759	0.35
2006/07	15545778	10187354	1.52
2007/08	21365053	12159966	1.76
2008/09	27589933	14620407	1.89
2009/10	32268873	13783585	2.34

Sources: Annual Reports of Nabil Bank

The above table shows that the relationship between loan and advances to saving deposit. In the year 2000/01 the loan & advances was Rs.8324439 thousand and saving deposit was Rs.4917183 thousand whose ratio was 1.69 times which indicates that nearly one and a half times of saving deposit was given as loan & advances. And similarly, its ratio was 1.50 times in 2001/02, 1.48 times in 2002/03, 1.37 times in 2003/04, 1.51 times in 2004/05, 0.35 times in 2005/06, 1.52 times in 2006/07, 1.76 times in 2007/08, 1.89 times in 2008/09 and 2.34 times in 2009/10. This shows that the ratio was more than 1 times which indicates that the loan & advances not only depends upon savings deposits but other deposits also bears loan & advances.

Table 4.3.4
Loan and Advance to Total Fixed Deposit Ratio

Rs. in 000

Year	Loan and Advance	Fixed Deposit	Ratio in %
2000/01	8324439	7667541	1.09
2001/02	7437894	2446846	3.04
2002/03	7755952	2252545	3.44
2003/04	8189993	2310572	3.54
2004/05	10589670	2078535	5.09
2005/06	31019750	3449094	0.90
2006/07	15545778	5435189	2.86
2007/08	21365053	8464086	2.52
2008/09	27589933	8310708	3.31
2009/10	32268873	14711158	2.19

Sources: Annual Reports of Nabil Bank

The above table shows that the relationship between loan and advances to fixed deposits were same as that of loan and advances to total deposit. Its ratio was 1.09 in 2000/01, 3.04 in 2001/02, 3.44 times in 2002/03, 3.54 times in 2003/04, 5.09 times in 2004/05, 0.90 times in 2005/06, 2.86 times in 2006/07, 2.52 times in 2007/08, 3.31 times in 2008/09 and 2.19 times in 2009/10. The ratio of loan and advances to fixed deposit was optimum i.e 5.09 times in 2004/05, which indicates that more than 5 times of fixed deposit was invested or given as loan to others.

4.4 Growth Ratio of Nabil Bank

The growth ratio represents how well the bank is maintaining its economic and financial position. Higher the ratio is better performance of the bank and vice versa. In this ratio, two growth ratios are studied which are directly related to deposit mobilization of the bank.

For the calculation of growth rate, the following formula can be used.

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

Where,

D_n = Total amount of nth year

D_o = Total amount of initial year

g = growth rate of amount

n = Total no of years during the study period.

Table 4.4.1
Growth Ratio of Total Deposit

Rs. in 000

Year	Total Deposit
2000/01	15839007
2001/02	15506428
2002/03	13447661
2003/04	14119032
2004/05	14586609
2005/06	15130442
2006/07	19017782
2007/08	25908420
2008/09	28411648
2009/10	36399362
Growth Rate	9.60 %

The above table shows that the growth rate of total deposit of Nabil bank is 9.60%. So it can be said that this bank must improve its deposit collection in higher growth rate. Therefore this bank should reform the existing policy into new activities, program, policy and rules and regulation which might help to increase in the deposit of this bank.

Table 4.4.2

Growth Ratio of Total Credit

Rs. in 000

Year	Total Credit
2000/01	8324439
2001/02	7437894
2002/03	7755952
2003/04	8189993
2004/05	10589670
2005/06	3109750
2006/07	15545778
2007/08	21365053
2008/09	27589933
2009/10	32268873
Growth Rate	16.07%

The above table shows that the growth rate of total credit of Nabil bank is 16.07% under the year of study period. The growth rate of total credit of Nabil is little satisfactory with comparison of the growth rate of total deposit i.e. 9.60%. Therefore it can be concluded that the bank seems to be in weak condition but it has good condition in growth rate of total credit with comparison of growth rate of total deposit.

4.5 Interest Rate and Different Deposits

4.5.1 Interest Rate and Saving Deposit

Interest rates are the most influential factor in deposit collection. i.e higher the interest rate, higher will be the deposit collection. The saving deposit interest rate affects the amount of saving deposit. The saving deposit is a precautionary deposit. The table no 4.14 shows the saving deposit amount and saving deposit interest rate of Nabil bank under the study period.

Table 4.5.1
Interest Rate and Saving Deposit

Rs. in 000

Year	Interest Rate Per Annum	Saving Deposit
2000/01	3.25	4917183
2001/02	3.00	4972057
2002/03	2.50	5229723
2003/04	2.00	5994121
2004/05	2.00	7026334
2005/06	2.00	8770759
2006/07	2.00	10187354
2007/08	2.00	12159966
2008/09	3.00	14620407
2009/10	3.00	13783585

Sources: Annual Reports of Nabil Bank

The above table shows that the saving deposit interest rate was 3.25% and amount Rs. 49178183 thousand in the year 2000/01. In the year 2001/02 the amount of saving deposit was Rs. 4972057 thousand and interest rate was decreased to 3.00% as compared to the year 2000/01. In the year 2002/03 the interest rate decreased to 2.50% and the amount of saving deposit was Rs.5229723 thousand. Here, the percentage of interest rate was decreased and amount of saving deposit was increased by more percentage increased by saving deposit than interest rate. In 2003/04,2004/05,2005/06,2006/07 and 2007/08 the interest rate was nominal i.e 2% and the amount of saving deposit was Rs.5994121 thousand,Rs.7026334 thousand, Rs.8770759 thousand,Rs.10187354 thousand and Rs.12155966 thousand respectively. Similarly, in the year 2008/09 and 2009/10 the interest rate was increased to 3% and its amount of saving deposit was Rs.14620407 thousand and Rs.13783585 thousand respectively.

This comparison between interest rate and saving deposit shows that saving deposit seems interest inelastic because it is in increasing trend with time frame. This is for the reason that the mobilization of the resources increases the real income of the people and they save the money even in small scale with nominal interest rate. And for precautions, people want to deposit the money in the form of deposit in the commercial banks although at a very low interest rate because they can get the facility of withdrawing the desired amount at any time. As a result, the amount of saving deposit is in increasing trend every year. Therefore, change in interest rate has positive as well as negative impact in the deposit collection. In the case of saving deposit, people feel secured to when the interest rate is high and feel negative when the interest rates are decreased. But here the fluctuation of interest rate has not affected the amount of total deposit because of lack of security situation in the country, existing political stability and increasing trend of theft and loot in the country. In Nepal there is lack of investing opportunities and high risk to invest in productive sectors also. So, people have lack of knowledge about alternative

investment sectors like stock market etc. So, people are more interested to deposit their surplus amount into bank for the security purpose even at a very low interest rate.

4.5.2 Interest Rate and Fixed Deposit

Fixed deposit is the most important deposit for bank because its amount is invested in different sectors by the bank. The fixed deposit interest rate is related to the amount of fixed deposits. Higher the rate of fixed deposit higher will be the amount of fixed deposit as many people will be attracted to save in the fixed deposit account. The table no 4.15 shows the structure of fixed interest rates and the amount of fixed deposits of the bank in the study period.

Since there are different years and categories in fixed deposit interest rates, five year fixed deposit interest rate is taken because more depositors of bank are interested in five year deposit period.

Table 4.5.2
Interest Rate and Fixed Deposit

Rs. in 000

Year	Interest Rate Per Annum	Fixed Deposit
2000/01	5.50	7667541
2001/02	5.50	2446846
2002/03	5.00	2252545
2003/04	4.00	2310572
2004/05	3.25	2078535
2005/06	3.5	3449094
2006/07	3.5	5435189
2007/08	3.5	8464086
2008/09	9.00	8310708
2009/10	9.50	14711158

Sources: Annual Reports of Nabil Bank

The above table shows that the relationship between interest rate and fixed deposited amount. The interest rate in 2001/01 and 2001/02 was 5.50% and amount of fixed deposit was Rs.7667541 thousand and Rs.2446846 thousand respectively. In the year 2002/03 interest rate was 5.00% and amount of fixed deposit was Rs.2252545 thousand. In the year 2003/04 and 2004/05 the interest rate was 4.00% and 3.25% and amount of fixed deposit was Rs.2310572 thousand and Rs.2078535 thousand respectively. After that in the year 2005/06,2006/07 and 2007/08 the interest rate was same i.e 3.5% and the amount of fixed deposit was Rs.3449094 thousand, Rs.5435189 thousand and Rs.8464086 thousand respectively. In the year 2008/09 the interest rate of fixed deposit was highly increased upto 9.00% and the amount of fixed deposit was Rs.8310708 thousand. And in the year 2009/10 the fixed deposit interest rate was again increased to 9.50% due to high competitive banking environment and the amount of fixed deposit was Rs.14711158 thousand.

From the above analysis we can conclude that the decrease in the interest rate affect the trend of deposit collection in the fixed deposit account. Here, in the ten year study period we can analyze that the interest of fixed deposit is fluctuating. It means sometimes it is unchanged and sometimes it is increased and decreased in high ratio. In the study period from 2000/01 the interest rate is in decreasing trend up to 2007/08 due to lack of safety and security condition. The interest rate are highly fluctuated in increasing as well as decreasing trend because in this time period the financial market was more competitive and complex due to stiff competition between the emerging commercial banks. Since the interest rates were in decreasing trend and later in increasing trend the amount of fixed deposit were also in fluctuating trend. The mobilization of resources increased the real income of the people and those people started to save more and more money, but they didn't got chance to invest it. As a result for security reasons, the people were more interested to save their money in the form of interest bearing deposit in the banks for certain time period even at very low interest rate. So there is fluctuation in collection of fixed deposit amount. But in general, when the interest rate of loan and advances is decreased there will be more demand of loan or people are more interested to take loan from the bank and vice-versa incase of increase in loan percentage. This shows that lower the interest rate higher the demand of credit and higher the interest rate higher the amount of deposited amount.

4.6 Statistical Analysis

Under this analysis some statistical tools are used to achieve the objectives of the study. Following statistical tools are used for this purpose.

- Coefficient of Correlation
- Trend Analysis

4.6.1 Coefficient of Correlation

The Karl Pearson's coefficient of correlation is used to find the relationship between two or more variables. Correlation analysis is a measure of association that is based on the numerical values of two or more than two variables. It is preferred in this study to identify the relationship between the variables to find out whether their relationship is significant or not. The correlation coefficient helps to measure the negative and positive relationship between the two variables and indicates their presence of their intimacy or not.

4.6.1.1 Correlation Coefficient between Total Deposit and Credit

Correlation Coefficient between total deposit and total credit measures the degree of relationship between total deposit and total credit, here the credit is the amount of loan and advances. In correlation analysis deposit is an independent variable (X) and while credit is the dependent variable (Y). See detail (Annex...)

Table 4.6.1.1
Correlation Coefficient between Total Deposit and Credit

Name	r	R ²	P.Er	6P.Er	Significant/Not Significant
Nabil Bank	0.74	0.54	0.098	0.59	Significant

The calculated value of correlation coefficient between total deposit and total credit is 0.74, therefore there is high degree of positive correlation. The coefficient of determination, i.e r^2 is 0.54. It indicates that 54% of the variation in the dependent variable (total credit) has been explained by the independent variable (total credit). And value of P.Er is 0.098 and 6P.Er is 0.59. The value of correlation coefficient 'r' is too greater than the 6 times probable error 6 P.Er. Therefore 'r' is significant.

Therefore it can be concluded that there is significant relationship between total deposit and total credit of Nabil Bank. It also shows that the increase in deposit can also increase the amount of credit.

4.6.1.2 Correlation between Interest Rates and Saving Deposit

Correlation between interest rates and saving deposit measures the degree of relationship between them. For correlation analysis, interest rate is taken as independent variable (X) whereas saving deposit is dependent variable (Y). The main objective of computing 'r' between these two variables is to justify whether interest rate is significantly correlated with saving deposit or not. (See Annex.....)

**Table 4.6.1.2
Correlation between Interest Rates and Saving Deposit**

Name	r	R^2	P.Er	6P.Er	Significant/Not Significant
Nabil Bank	0.0281	0.0008	0.2132	1.28	Significant

The calculated value of correlation coefficient between interest rate and saving deposit is 0.0281, therefore there is high degree of positive correlation. The coefficient of determination, r^2 is 0.0008. It indicates that 0.08% of the variation in the dependent variable (saving deposit) has been explained by the independent variable (interest rate). And value of P.Er is 0.2132 and 6P.Er is 1.28. The value of correlation coefficient 'r' is too greater than the 6 times probable error 6 P.Er. Therefore, it can be concluded that the relationship between the two variables, interest rate and saving deposit is significant or there is high degree of association between interest rate and saving deposit. Therefore it can be concluded that there is significant relationship between total saving deposit and interest rates of Nabil Bank.

4.6.1.3 Correlation between Interest Rates and Fixed Deposit

Correlation between interest rate and fixed deposit measures the degree of relationship between them. For correlation analysis, interest rate is taken as independent variable (X) whereas fixed deposit is dependent variable (Y). The main objective of computing 'r' between these two variables is to justify whether the interest rate is significantly correlated with fixed deposit or not. (See Annex.....)

Table 4.6.1.3
Correlation between Interest Rates and Fixed Deposit

Name	r	R ²	P.Er	6P.Er	Significant/Not Significant
Nabil Bank	0.71	0.5041	0.11	0.66	Significant

The above table describes the relationship between interest rate and fixed deposit during the study period from 2000/01 to 2009/10. The calculated value of correlation coefficient between interest rate and fixed deposit is 0.71, therefore there is positive correlation. The coefficient of determination, r^2 is 0.5041. It indicates that only 50.41% of the variation in the dependent variable (fixed deposit) has been explained by the independent variable (interest rates). And value of P.Er is 0.11 and 6P.Er is 0.66. The value of correlation coefficient 'r' is higher than the probable error 6 P.Er. Therefore 'r' is significant. Therefore it can be concluded that there is significant relationship between interest rate and fixed deposit of Nabil Bank.

4.7 Trend Analysis

From this trend analysis we can know the trend of total deposit and total credit of Nabil bank during the study period. The general tendency of the time series data to increase or decrease or stagnate during a long period of time is called simple trend. The trend ignores sudden or short term fluctuation. The movement may be either slow or fast.

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 credit. Here, least square method is used for the analysis of the trend of deposit and credit of Nabil. It provides basis for obtaining the line of best fit in the series.

4.7.1 Trend Analysis of Total Deposit

In this trend analysis, the fiscal year has been taken in whole ie the 2000/01 change to 2001 and so on up to study period. And the amount was taken in the figure of lakhs not in thousand because of vast calculation. (See Annex.....)

Table 4.7.1
Trend Analysis of Total Deposit

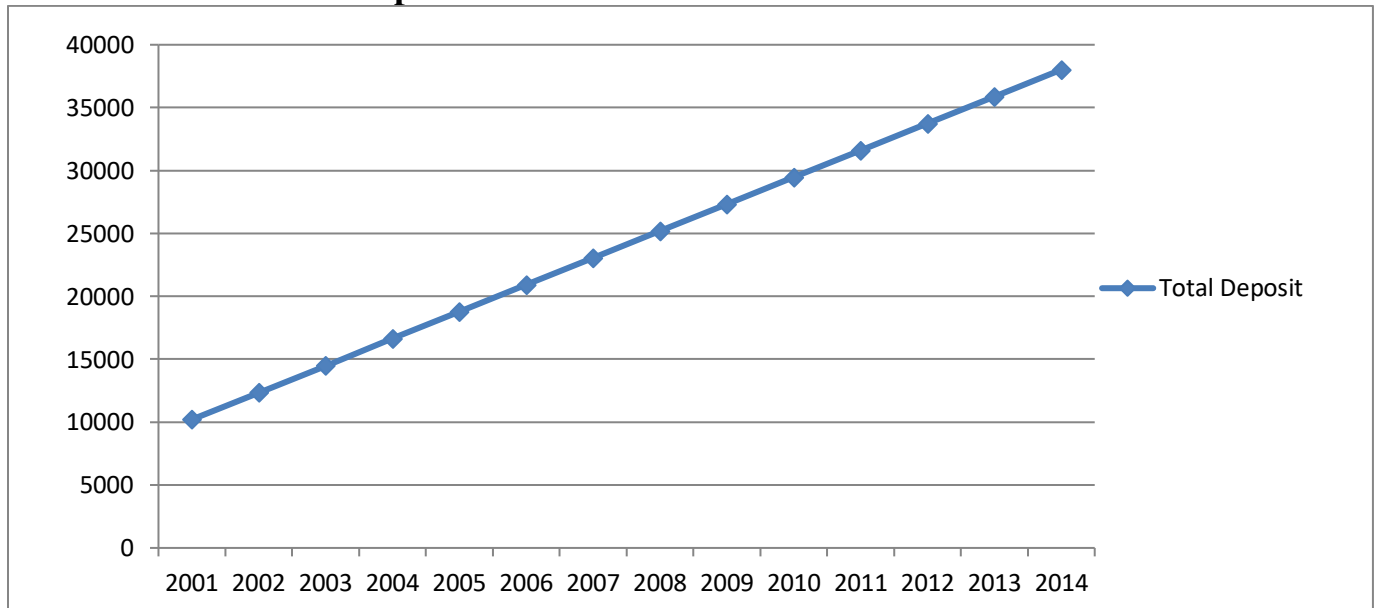
Rs. in 000

Year	Total Value
2001	10211.46
2002	12350.38
2003	14489.30
2004	16628.22

2005	18767.14
2006	20906.06
2007	23044.98
2008	25183.90
2009	27322.82
2010	29461.74
2011 (Expected)	31600.66
2012 (Expected)	33739.58
2013 (Expected)	35878.50
2014 (Expected)	38017.42

In this trend analysis the calculated value of 'b' is positive. It is found that the bank's deposit is in increasing trend. If other things remain constant, the total deposit of the bank at 2014 will be Rs 38017.42 lakh. The calculated trend value of total deposit of Nabil is fitted in the trend line.

Trend Value of Total Deposit of Nabil Bank Limited



4.7.2 Trend Analysis of total credit

In this trend analysis, the fiscal year has been taken in whole ie the 2000/01 change to 2001 and so on to the study period. And amount was taken in the figure of lakh not in thousand because of vast calculation. (See Annex.....)

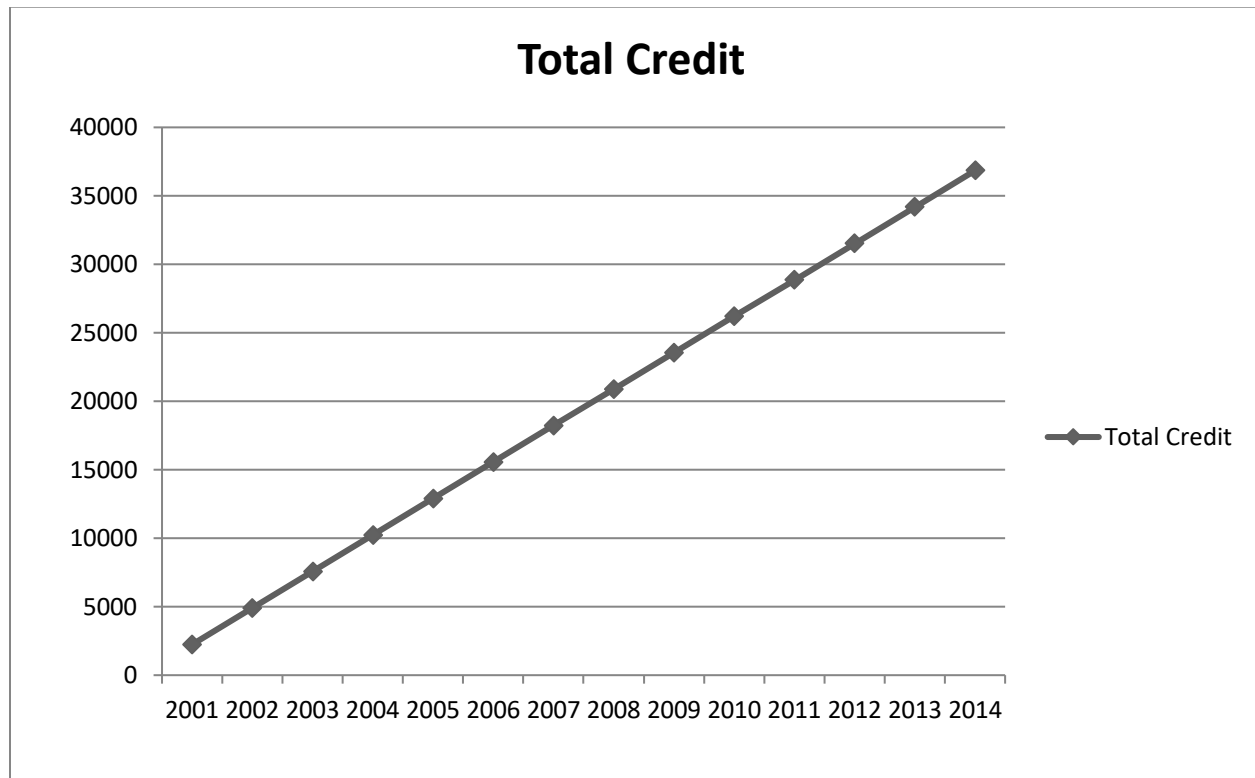
Table 4.7.2
Trend Analysis of Total Credit

Rs. in 000

Year	Total Value
2001	2239.52
2002	4901.34
2003	7563.16
2004	10224.98
2005	12886.80
2006	15548.62
2007	18210.44
2008	20872.26
2009	23534.08
2010	26195.90
2011 (Expected)	28857.72
2012 (Expected)	31519.54
2013 (Expected)	34181.36
2014 (Expected)	36843.18

In this trend analysis the calculated value of 'b' is positive. It is found that the banks credit is in increasing trend. If other things remain constant, the total credit of the bank at 2014 will be Rs.36843.18 lakh. The calculated trend value of total credit of Nabil is fitted in the trend line.

Trend value of Total Credit of Nabil Bank limited



4.8 Major Findings

In this research analysis the deposit and credit position of Nabil Bank for the 10 year period i.e. 2000/01 to 2009/10 has been taken in to consideration. Both primary and secondary data have been used for analysis. Generally financial and statistical tools have been used to reveal the entire position of deposit and credit of the bank. These are the major findings, which are derived from the analysis of Nabil bank with applying twelve data and analysis of primary data also.

4.8.1 Major Findings from Secondary Data

- The analysis reveals that the banks attraction towards saving deposit seems to be satisfactory. But it is not stable increase in percentage during the study period. It is continuous to increase in the last of the study period.
- The changes in percentage in all deposits are in increasing trend. But in the last of the study period it is little fluctuating.
- The analysis reveals that the banks attraction towards total deposit seems to be satisfactory. Though the percentage changes are not stable, the change in ratio is in average.
- In case of percentage change in credit amount, the bank's attraction towards credit amount is satisfactory.

Credit Deposit Ratio (CD Ratio)

- The CD ratio, which indicates that the better utilization of its deposit on loan and advances is little favorable condition. CD ration has been followed in zigzag trend. It is clear that the Nabil bank is little bit successful in utilizing its deposit. The bank is facing the problem in investing in loan and advances. Due to various internal and external factors, the bank is not making any open investment. That's why deposits are excess and idle in the bank. So there is little gap between deposit and credit. As a result, there is pilling up the idle deposits with the bank.

Growth Ratio

- The growth ratio of total deposit of Nabil bank by analysis of 10 year period is 9.60%. It means the bank is able to maintain 9.60% growth rate. This ratio measures the capacity of the bank to maintain the percentage of total deposit. Since the growth ratio of total deposit is 9.60%, the bank must improve its deposit collection in high growth ratio.
- Similarly the growth ratio of total credit is 16.07%. So the bank seems in strong condition to increase the total credit than the total deposit growth rate.

Interest Rates and Different Deposits and Total Credit

- The interest rates on deposit and credit have been decreased in times. The change in interest rate causes the change in total amount also.
- Saving deposit has been found to be in increasing trend but the interest rate is decreasing year by year. It means there is low impact of the interest on saving deposit.
- The fixed deposited amount was in decreasing trend up to 2005/06 and after that it is in increasing trend up to 2007/08.
- In lending condition the interest rates are in decreasing trend but the amount of loan and advances are in increasing trend.

Correlation Coefficient

- We can say that the correlation coefficient between total deposit and total credit of Nabil bank shows the positive relationship between them i.e it is 0.59 And $r^2 = 0.54$, it indicates that 54% of variation in total credit has been explained by the total deposit. Since "r" is greater than 6P.Er, there is significant relationship between deposit and credit.
- Correlation coefficient between interest rates and saving deposit, shows the positive relationship i.e "r" = 0.0281. And the coefficient of determination, $r^2 = 0.08\%$ of the variation in the saving deposit has been explained by interest rates. The "r" is greater than 6P.Er. , there is significant relationship between interest rates and saving deposit.
- Correlation coefficient between interest rates and fixed deposit, shows the positive relationship i.e "r" = 0.71%. And the coefficient of determination, $r^2 = 50.41\%$ of the variation in the fixed deposit has been explained by interest rates. The "r" is greater than 6P.Er. , there is significant relationship between interest rates and fixed deposit.

Trend Analysis and Projection for the Next Year

- The total deposit has found in increasing trend. The total deposit of Nabil will be Rs. 17544.74 lakh in the 2009, if other thing remains same.
- Similarly the credit also found in increasing trend. The amount of total credit will be Rs. 10408.03 lakh in 2009.if other factors remains the constant.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The problem of economic development of a developing country is a problem of real growth. Only considering real factor cannot solve such problem because now a days financial and monitoring factor have a tremendous effect on the growth process. For the economic development of any country sound and co-ordinated fiscal and monetary policy have an important role even in underdeveloped country like Nepal. The role of commercial banks becomes crucial in the task of capital formation which is no doubt a key variable in the economic development of a country. Scattered resources hold no meaning until and unless they are mobilized and utilized efficiently in some productive sectors. Commercial banks contribute to the process of capital formation by converting dispersed saving into meaningful capital investments in order to aid industry, trade, commerce, agriculture and other sectors for the economic development of the nation. It should be taken into consideration that a country could hardly achieve its goal of economic development with a strong capital base. In such situation commercial banks play a vital role in performing such base for financial and economic development by mobilizing deposits. Deposits are the obligation of the commercial banks. So commercial banks must allocate the funds in different loan & advances and investments for which proper efficiency in mobilizing the deposits has to be maintained.

The purpose of the study is to know the efficient utilization of the accumulated deposits. Besides this, the objective is to see the impact of interest rates on amount of deposits collected and amount of loan granted by Nabil bank. According to the banks financial reports of Nabil the total deposit is Rs.36399362 thousand which included Rs.7904619 thousand of current deposits and Rs.13783585 thousand of saving deposits and Rs.14711158 thousand of fixed deposits up to mid July 2010 . Interest in the deposits paid according to year and category of deposits. No interest will be paid in current account. In saving deposit the interest rate is 3 percent and similarly in fixed deposit the interest rate is 9.50 percent which will be paid according to the duration of the deposits. The credit of the commercial banks depends upon the deposit position of the banks. Commercial banks in Nepal used to utilize their deposit in two ways (a) Loan and advance and (b) Investments. In mid July 2010 the total loan and advances of Nabil was Rs 32268873 thousand. The ratio between deposit and credits i.e. CD ratio has increased overall. In mid July 2010 the CD ratio was 88.65%. In this study, it is found that the correlation between total deposit and total credit is 0.74, which shows the degree of association between the two is very high, here "r" is greater than P.Er. It means that the relationship between total deposit and total credit is significant. The increasing trend of deposit collection is accompanied by increment in utilization also. More than 50% of the resources are found to be utilized and leaving other 50% remaining idle.

The correlation between two variables shows that there is positive correlation between interest rate and deposit collection both in fixed and saving deposits. In both case "r" is greater than P.Er. It indicates that the correlation between interest and fixed and saving deposit is significant. Although the interest is lowered the deposit collection is high but the fact is something else. When liberalization was introduced in Nepal as a means of development of the country many joint venture banks and financial institutions began to work. With the establishment of new

banks and financial institutions, people got opportunity to keep their savings in these institutions. Saving was now safe with banks than in home from security point of view also. Irrespective of the rate of interest, deposit collection seemed to be increased. The correlation coefficient between the interest rate of fixed and saving deposit is positive. Here the hypothesis is accepted.

Besides this, in credit sector also there is positive correlation between interest rate and credit granted. It shows that if interest rate is decreased, the more amount of credit can be issued. Here r is greater than PEr . It means the relation between interest rate and credit is significant theoretically and in economics also the relation between the two i.e. interest rate and credit is said to be significant because it proves the general law that lower the interest rate, higher amount of credit granted and higher the interest rate the less amount of credit will be granted. Analyzing the above data, we can say that the fixed deposit occupies major portion of banking income. It also plays a vital role in upgrading the national economy. So, it can be referred from the analysis of data that are as follows:

1. The moderate interest rate will encourage in maximizing the fixed deposit.
2. Increase in fixed deposit will eventually lead to the increase in industrial and commercial activity.
3. With the better accumulation of fixed deposit causes reduction in the lending interest rate.
4. Better fixed deposit means maximum availability of capital reducing the cost of capital.
5. Indirect benefit in creation of better employment opportunity.
6. Proper fixed deposit policy controls the money demand and supply market ultimately stabilizing the economy activity.
7. Enhance the economic growth of the national.
8. Maintaining the fixed deposit scheme (policy) of bank helps in controlling inflation and deflation.

5.2 Conclusion

It can be concluded from the observance and analysis of the above data that commercial banks should move as per the direction given by the central bank. Bank should have the optimum policy to collect the deposit in various accounts. Deposit is the major organ of commercial banks to live in the industry. Higher the deposit higher will be the chance of the mobilization of working fund and profit too. Bank should invest in different sectors very carefully, while advancing loan because loan is the blood of commercial banks for survival. If commercial banks do not apply sound investment policy it will be in great trouble in future to collect it in time. Hence there is possibility of bankruptcy. The bank should have deep research before investing in the project to be safe from being bankrupted in future Bank should invest their fund in only those portfolios which have been deeply studied. If the bank concentrates the investment in few organizations only, there is high chance of default risk. Diversifications are indeed needed to all the business houses. Diversification of investment is very much important to commercial bank than other business houses because banks use the money of other people for the benefit of its own. And lastly it can be said that banks are important for the nation. It helps in the capital formation to the nation, which is the most important element for the economic growth of any country. Capital helps to solve the various problems arising in the country. And fixed deposit controls the measure economic activity of the nation. Therefore, it is very important for the policymakers to adopt appropriate policy with calculated interest rate so that large capital can be

collected at very low capital cost encouraging the industrial and commercial activity eventually leading to better economic growth, socio-economic development, employment opportunity, etc. In overall it can be concluded that the role of NRB in deposit mobilization of commercial banks has positive impact and Nabil bank also helps in this process for countries growth.

5.3 Recommendations

Through the analysis from the above study, a few recommendations are referred below, which if implemented, may help further to Nabil Bank Limited.

1. Nowadays, in the competitive banking industry, the bank should attract more depositors by providing improved and new services and facilities.
2. In order to serve the customer smoothly and swiftly, the bank should avoid manual techniques and adopt office automation.
3. Ethics of staff impresses the customers and create interest to improve the performance of the company. Hence, full co-operation from staff must be obtained. Customer's satisfaction is affected by the services provided by the bank, which will effect the collection of deposits. The bank should also provide the training programmes to the employees for professional development.
4. Interest rate structure should be carried out and an appropriate interest rate policy should be formulated so as to attract more savings of the general public.
5. The Bank should find out new areas/sectors for investing collected deposits from which it can generate maximum profit. In the context of present scenario of the country, health and education can be considered as the best sector for investment, which are more secure and can generate a reasonable profit.
6. Since the national economy is approaching towards recession period, all the financial institutions should work towards improving the economic development of the country. The financial institutes should encourage internal business, industries and export rather than imports, so as to reduce the outflow of the currencies.
7. For upgrading the financial health of the banks, the ratio of bad loan has to be minimized substantially other wise it has to keep huge amount in loan loss provision.
8. The bank has to create the conducive environment for the revival of sick investment and has to analyze the necessity of mobilizing additional resource to revive the overall banking sector.
9. The fee based activities of the bank is found to be very popular and has also become important in banking sector. These are commission discount and fees, so the bank has to increase the off balance sheet transaction to increase the profit.
10. Nepal is full of poor people where there is less saving. Considering it Nabil should target their business segment in the middle class family. For this they have to keep the affordable minimum balance to open the account, which will help to expand customer and deposit amount.
11. The liberal policy of NRB to establish new financial institutions and bank's branches is very challenging to the profit of the banks which is also promoting unhealthy competition. So Nabil is suggested to make a fair competition in the market and should adopt the policy to live and let to live others which make them to compel to think the optimum policy in turn.
12. At the end, Nabil Bank is suggested to support the social welfare event to promote the business.

13. Proper evaluation of the performance of the staffs should be done in timely and continuously in order to increase the efficiency of the bank. For this, it is recommended that the job analysis should be done through the job skill, knowledge, abilities etc. of the staffs.
14. There should be attractive publicity of the bank in such a way that people will have the knowledge of the bank and it encourages them to save the money. When there is more publicity, people may have great desire to save money in order to earn interest and use the bank to lend money instead of money lenders. The bank should also pay attention to publish bulletin, brochures and others so as to make people familiarize with its performance and activities.

BIBLIOGRAPHY

Books

Albrol, P.N. And Gupta, O.P.(1971). *Dictionary Of Commerce*. New Delhi: Anmol Publication.

Alhadeff, David A. (1968). *Competition And Controls In Banking*. Barkley And Los Angeles. California: University Of California Press.

American Institute Of Banking (1972).*Principle Of Bank Operation*. Usa Prints.

Baxley, James B. (1987). *Banking Management*. New Delhi: Subject Publication.

Bhandari, D.R. (2003). *Banking And Insurance: Principle And Practice*. Kathmandu: Aayush Publication.

Commercial Banks Acts 1974 (2031 B.S.). Kathamndu.

Crosse, H.D. (1963). *Management Policy For Commercial Banks*. London: Prentice Hall.

Crowther, S.R. (1985). *An Outline Of Money*. London: Thomes Nelson And Sons Ltd.

Ghoshal, S. N. And Sharma, M. D. (1965). *Economic Growth And Commercial Banking In A Developing Economy*. Calcutta: Scientific Book Agency, First Published.

Gitman, L.J. And Jochnk (1990). *Fundamental Of Investing*. New York: Harper And Raw Publish.

Gupta, S.C. (1990). *Fundamental Of Statistics*. Bambay: Himalayan Publishing House.

Higgins, (1968). *Economic Development: Problem, Principle And Policies*. New York: Otta University.

Kothari, C. R. (1989). *Research Methodology, Method And Techniques*. New Delhi: Willey Eastern Limited.

Radhaswamy, M. And Vasu Devan, S.V. (1979). *A Test Book Of Banking*.

Ronald, R.I. (1962). *The Management Of Bank Fund*. New York: Mcgraw Hill Book Company.

Sayers, R.S. (1972). *Modern Banking. (7th Edition)*. New York: Oxford University Press.

Shrestha, S. (2058b.S.). *Portfolio Behaviour Of Commercial Banks In Nepal*. Kathmandu: Shrestha Publication House.

The Encyclopedia Britanica (1981) American Grutier Incorporate.

The New Encyclopedia Britanica (1985) Vol. 14

The World Bank Encyclopedia (1966). Vol. 2 Sunny England Kingsport Press Inc.

Timberlake, Richard H. (1995). *Money Banking And Central Banking*. Georgia: University Of Georgia.

Vadhya, S. (1999). *Banking Management*. Kathmandu: Monitor Nepal.

Vadhya, S. (2001). *Banking And Insurance Management*. Kathmandu: Taleju

Vicctor Morgan. E. (1965). *The Theory Of Practice Of Central Banking*. London: Frank Cass And Co. Ltd.

Wolff, H.D. And Pant, P.R. (2002). *A Hand Book For Social Science Research And Thesis Writing*. Kathmandu: Buddha Academics Pvt. Ltd.

Articles

Bajracharya, B.B. (2047 B.S). Monetary Policy And Deposit Mobilization In Nepal. *Rajat Jayanti Smarika*. Kathmandu: Rastriya Banijya Bank. Pp.93-97.

Fry, M.J. (1974). *Research Mobilization And Financial Development In Nepal*. Kathmandu: Ceda, Publication, P. 15.

Joshi, R. (1984). *Rural Saving Mobilization In Nepal*. Kathmandu: Agricultural Credit Department, Nepal Rastra Bank.Pp 65-66.

Kafle, P. K. (1990). Monetary And Financial Reports In Nepal, Implication For Adjustment And Growth. *Economic Review*, Kathmandu: Nepal Rastra Bank. P. 15.

Kafle, S.D. 2053 B.S. Nrb And Its Policies For Monetary Control. *Nepal Rastra Bank Samachar*. Kathmandu: Nepal Rastra Bank. P. 13.

Morris, F. (1980). Latin America's Banking System In 1980's. *World Bank Discussion*. P. 81.

Pradhan, S.B. (2053 B.S). Deposit Mobilization, Its Problem And Prospects. *Nepal Bank Partrika*. Baishakh Masanta, P.9.

Sharma, B. (Oct.2000). Banking The Future On Competition. *Business Age*. P. 13.

Williamson, J.N. (1998). Personal Saving In Developing Nations. An International Cross Section From Asia. *The Economic Record*. P. 25.

Thesis

Agrawal, A. (2002). *A Study On Deposit And Investment Position Of Yati Finance Company Ltd*. An Unpublished Master Degree Thesis, Shanker Dev Campus.

Karki, K.B. (2001). *An Analysis Of Deposit Mobilization Of Rbb*. An Unpublished Master Degree Thesis , Central Department Of Economics, T.U.

Karmacharya, M.N.1978. *A Study On The Deposit Mobilization Of Nbl*. An Unpublished Master Degree Thesis , Central Department Of Economics, T.U.

Neupane, M. (1986). *Deposit Mobilization Of Commercial Banks In Nepal*. An Unpublished Master Degree Thesis, Central Department Of Economics, T.U.

Pant, R.P. (1979). *A Study Of Deposit Collection And Utilization Of Commercial Banks In Nepal*. An Unpublished Master Degree Thesis , Central Department Of Economics, T.U.

Phuyal, D. P (2035). *A Study On The Deposits And Loans And Advances Of Nbl*. An Unpublished Master Degree Thesis, Central Department Of Economics, T.U.

Pradhan, N.M. (2037). *A Study On Investment Policy Of Nbl*. An Unpublished Master Degree Thesis, Central Department Of Economics, T.U.

Roy, D. (2003). *An Investment Analysis Of Rbb*. An Unpublished Master Degree Thesis, Shanker Dev Campus.

Shrestha, S. (2042). *A Study On Deposit Mobilization And Utilization Of Commercial Banks With Reference To Nbl*. An Unpublished Master Degree Thesis , Central Department Of Economics, T.U.

Shrestha, U.L. (1987). *A Competitive Study On Resource Mobilization Of Nbl And Rbb*. An Unpublished Master Degree Thesis, Central Department Of Management, T.U.

Tandukar, P. (2003). *Role Of Nrb In Deposit Mobilization Of Commercial Bank*. An Unpublished Master Degree Thesis, Shanker Dev Campus

Journals And Magazines

Banking Operation Department.

International Forum, Different Volumes, Kathmandu

Nabil Bank, (1993/94 -2007/08). *Annual Reports*. Kathmandu.

Nepal Rastra Bank (1984). Banker's Prakashan Workshop Report, "*Deposit Mobilization Why And How*." Kathmandu: Bankers Training Centre. Year 6, No. 24

Nepal Rastra Bank (2005). *Banking Khabar Patrika*. Kathmandu: Banking Promotion Committee. N. 45

Nepal Rastra Bank (January 1994- December 2005) *Banking And Financial Statistics*. Kathmandu.

Repal Banijya Bank (2055- 2057). *Upahar*. Kathmandu Rastriya Banijya Bank Sports Club. No. 3, No. 7

Websites

[Www.Nabilbank.Com](http://www.Nabilbank.Com)

Www.Nepalnews.Com

ANNEXURE

Correlation Coefficient between total deposit and total credit

Where,

X=Total Deposit & Y=Total Credit

X	x=X-X	x ²	Y	y=Y-Y	y ²	xy
15839	-3998	15984004	8324	-8685	75429225	34722630
15506	-4331	18757561	7438	-9571	91604041	41452001
13448	-6389	40819321	7756	-9253	85618009	59117417
14119	-5718	32695524	8190	-8819	77774761	50427042
14587	-5250	27562500	10590	-6419	41203561	33699750
15130	-4707	22155849	31020	14011	196308121	-65949777
19018	-819	670761	15545	-1464	2143296	1199016
25908	6071	36857041	21365	4356	18974736	26445276
28412	8575	73530625	27590	10581	111957561	90732075
36399	16562	274299844	32269	15260	232867600	252736120
$\sum X =$ 198366		$\sum x^2 =$ 543333030	$\sum Y =$ 170087		$\sum y^2 =$ 933880911	$\sum xy =$ 524581550

$$X = \frac{\sum X}{N} = \frac{198366}{10} = 19837$$

$$Y = \frac{\sum Y}{N} = \frac{170087}{10} = 17009$$

Here,

$$r = \frac{\sum xy}{\sqrt{\sum X^2} \sqrt{\sum y^2}}$$

$$= \frac{52458155}{\sqrt{543333030} \sqrt{933880911}}$$

$$= \frac{52458155}{23309.50 * 30559.46}$$

$$= \frac{52458155}{712325733}$$

$$= 0.74$$

Now,

$$r^2 = (0.74)^2$$

$$= 0.54$$

Again,

$$P.Er = 0.6745 * 1 - r^2$$

$$= 0.6745 * \frac{\sqrt{N}}{\sqrt{10}}$$

$$= 0.6745 * \frac{1-0.54}{3.16}$$

$$= 0.098$$

Now,

$$6 \text{ P.E.r} = 6 * 0.098$$

$$= 0.59$$

Correlation Coefficient between Interest Rate and Saving Deposit

Where,

X=Interest Rates & Y=Saving Deposit

X	x=X-X	x ²	Y	y=Y-Y	y ²	xy
3.25	0.77	0.5929	4917	-3846.90	14798639.61	-2962.11
3.00	0.52	0.2704	4972	-3791.90	14378505.61	-1971.79
2.50	0.02	0.0004	5220	-3543.90	12559227.21	-70.88
2.00	-0.48	0.2304	5994	-2769.90	7672346.01	1329.55
2.00	-0.48	0.2304	7026	-1737.90	3020296.41	834.19
2.00	-0.48	0.2304	8770	6.1	37.21	-2.93
2.00	-0.48	0.2304	10187	1423.10	2025213.61	-683.09
2.00	-0.48	0.2304	12150	3386.10	11465673.21	-1625.33
3.00	0.52	0.2704	14620	5856.10	34293907.21	3045.17
3.00	0.52	0.2704	13783	5019.10	25191364.81	2609.93
$\sum X =$ 24.75		$\sum x^2 =$ 2.5565	$\sum Y =$ 87639		$\sum y^2 =$ 125405210.90	$\sum xy =$ 502.71

$$X = \frac{\sum X}{N} = \frac{24.75}{10} = 2.48$$

$$Y = \frac{\sum Y}{N} = \frac{87639}{10} = 8763.90$$

Here,

$$r = \frac{\sum xy}{\sqrt{\sum X^2} \sqrt{\sum y^2}}$$

$$= \frac{502.71}{\sqrt{2.5565} \sqrt{125405210.90}}$$

$$= \frac{502.71}{1.60 * 11198.45}$$

$$= \frac{502.71}{17917.5149}$$

$$= 0.0281$$

Now,

$$r^2 = (0.0281)^2$$

$$= 0.0008$$

Again,

$$P.E.r = 0.6745 * \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745 * \frac{1 - 0.0008}{\sqrt{10}}$$

$$= 0.6745 * \frac{0.9992}{3.162}$$

$$= 0.2132$$

Now,

$$6 P.E.r = 6 * 0.2132$$

$$= 1.28$$

Correlation Coefficient between Interest Rate and Fixed Deposit

Where,

X=Interest Rates & Y= Fixed Deposit

X	x=X-X	x ²	Y	y=Y-Y	y ²	xy
5.5	0.27	0.073	7667	1954.30	3819288.50	527.66
5.5	0.27	0.073	2447	-3265.70	10664796.50	- 881.74
5.00	-0.23	0.053	2253	-3459.70	11969524.10	795.73
4.00	-1.23	1.153	2311	-3401.70	11571562.90	4184.09
3.25	-1.98	3.92	2079	-3633.70	13203775.70	7194.73
3.5	-1.73	3.00	3449	-2263.70	5124337.70	3916.20
3.5	-1.73	3.00	5435	-277.70	77117.30	480.42
3.5	-1.73	3.00	8464	2751.30	7569651.70	4759.75
9.00	3.77	14.21	8311	2598.30	6751162.90	9795.60
9.5	4.27	18.23	14711	8998.30	80969402.90	38422.74
Σ X = 52.25		Σ x ² = 47.072	Σ Y= 57127		Σ y ² = 151720620.20	Σ xy= 59675.68

$$X = \frac{\sum X}{N} = \frac{52.25}{10} = 5.23$$

$$Y = \frac{\sum Y}{N} = \frac{57127}{10} = 5712.70$$

Here,

$$r = \frac{\sum xy}{\sqrt{\sum X^2} \sqrt{\sum y^2}}$$

$$= \frac{59675.68}{\sqrt{47.072} \sqrt{1151720620.20}}$$

$$= \frac{59675.68}{6.861 * 12317.50}$$

$$= \frac{59675.68}{84510.3675}$$

$$= 0.71$$

Now,

$$r^2 = (0.71)^2$$

$$= 0.5041$$

Again,

$$P.E.r = 0.6745 * \frac{1 - r^2}{\sqrt{N}}$$

$$= 0.6745 * \frac{1 - 0.5041}{\sqrt{10}}$$

$$= 0.6745 * \frac{0.50}{3.162}$$

$$= 0.11$$

Now,

$$6 P.E.r = 6 * 0.11$$

$$= 0.66$$

Growth Rate Analysis

Growth Rate Analysis of Total Deposit

For calculation of growth rate, the following formula can be used.

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

Where,

D_n = Total amount of n^{th} year i.e in 2009/10 = 39399362

D_0 = Total amount of initial year i.e in 2000/01 = 15839007

g = growth rate of amount = ?

n = Total no of years during the study period. = 10 Years

So that,

$$\begin{aligned} D_n &= D_0 (1+g)^{n-1} \\ 36399362 &= 15839007 (1+g)^{10-1} \\ \frac{36399362}{15839007} &= (1+g)^9 \\ (2.30)^{1/9} &= 1+g \\ (2.30)^{0.111}-1 &= g \end{aligned}$$

Growth Rate (g) = 9.60 %

Growth Rate Analysis of Total Credit

For calculation of growth rate, the following formula can be used.

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

Where,

D_n = Total amount of n^{th} year i.e in 2009/10 = 32268873

D_0 = Total amount of initial year i.e in 2000/01 = 8324439

g = growth rate of amount = ?

n = Total no of years during the study period. = 10 Years

So that,

$$\begin{aligned} D_n &= D_0 (1+g)^{n-1} \\ 32268873 &= 8324439 (1+g)^{10-1} \\ \frac{32268873}{8324439} &= (1+g)^9 \\ (3.8764)^{1/9} &= 1+g \\ (3.8764)^{0.111}-1 &= g \end{aligned}$$

Growth Rate (g) = 16.07 %

Trend Analysis of Total Deposit

Year (X)	Total Deposit (y)	x=X-2005	x ²	xy	YC=18767.14+2138.92* x
2001	15839	-4	16	-63356	=18767.14+2138.92(-4)=10211.46
2002	15506	-3	9	-46518	=18767.14+2138.92 (-3)=12350.38
2003	13448	-2	4	-26896	=18767.14+2138.92 (-2)=14489.30
2004	14119	-1	1	-14119	=18767.14+2138.92 (-1)=16628.22
2005	14587	0	0	0	=18767.14+2138.92 (0) =18767.14
2006	15130	1	1	15130	=18767.14+2138.92 (1) =20906.06
2007	19018	2	4	38036	=18767.14+2138.92 (2) =23044.98
2008	25908	3	9	77724	=18767.14+2138.92 (3) =25183.90
2009	28412	4	16	113648	=18767.14+2138.92 (4) =27322.82
2010	36399	5	25	181995	=18767.14+2138.92 (5) =29461.74
2011	Expected Value				=18767.14+2138.92 (6) =31600.66
2012	Expected Value				=18767.14+2138.92 (7) =33739.58
2013	Expected Value				=18767.14+2138.92 (8) =35878.50
2014	Expected Value				=18767.14+2138.92 (9) =38017.42
	$\sum y=198366$	$\sum x = 5$	$\sum x^2 = 85$	$\sum xy = 275644$	

Here,

The trend equation is $Y_c = a + bx$ and $N=10$

As $\sum X \neq 0$, the value of 'a' and 'b' will be found out by solving the two normal equations.

$$\sum y = Na + b\sum x \quad \text{----- (i)}$$

$$\sum xy = a\sum x + b\sum x^2 \quad \text{----- (ii)}$$

Now, Substituting value in equation (i) and (ii), we get,

$$198366 = 10a + 5b \quad \text{----- (iii)}$$

$$275644 = 5a + 85b \quad \text{----- (iv)}$$

Here,

Multiplying eqⁿ (iii) by 5 and eqⁿ (iv) by 10 and subtracting eqⁿ (iv) from eqⁿ (iii) we get,

$$991830 = 50a + 25b$$

$$\underline{- 2756440 = -50a + -850b}$$

$$-1764610 = -825b$$

$$b = \frac{-1764610}{-825}$$

$$= 2138.92$$

Now,

Substituting value of $b=2138.92$ in eqⁿ (iii) we get,

$$198366 = 10a + 5b$$

$$198366 = 10a + 5 \times 2138.92$$

$$198366 = 10a + 10694.60$$

$$198366 - 10694.60 = a$$

$$\frac{198366 - 10694.60}{10} = a$$

$$a = 18767.14$$

Thus, the trend equation will be

$$Y_c = a + bx$$

$$= 18767.14 + 2138.92x$$

Trend Analysis of Total Credit

Year (X)	Total Credit (y)	$x=X-2005$	x^2	xy	$Y_c=12886.80+2661.82 \cdot x$
2001	8324	-4	16	-33296	$=12886.80+2661.82(-4)=2239.52$
2002	7438	-3	9	-22314	$=12886.80+2661.82(-3)=4901.34$
2003	7756	-2	4	-15512	$=12886.80+2661.82(-2)=7563.16$
2004	8190	-1	1	-8190	$=12886.80+2661.82(-1)=10224.98$
2005	10590	0	0	0	$=12886.80+2661.82(0)=12886.80$
2006	3109	1	1	3109	$=12886.80+2661.82(1)=15548.62$
2007	15546	2	4	31092	$=12886.80+2661.82(2)=18210.44$
2008	21365	3	9	64095	$=12886.80+2661.82(3)=20872.26$
2009	27590	4	16	110360	$=12886.80+2661.82(4)=23534.08$
2010	32269	5	25	161345	$=12886.80+2661.82(5)=26195.90$
2011	Expected value				$=12886.80+2661.82(6)=28857.72$
2012	Expected value				$=12886.80+2661.82(7)=31519.54$
2013	Expected value				$=12886.80+2661.82(8)=34181.36$
2014	Expected value				$=12886.80+2661.82(9)=36843.18$
	$\sum y=142177$	$\sum x = 5$	$\sum x^2 = 85$	$\sum xy = 290689$	

Here,

The trend equation is $Y_c=a+bx$ and $N=10$

As $\sum X \neq 0$, the value of 'a' and 'b' will be found out by solving the two normal equations.

$$\sum y = Na + b\sum x \text{ ----- (i)}$$

$$\sum xy = a\sum x + b\sum x^2 \text{ ----- (ii)}$$

Now, Substituting value in equation (i) and (ii), we get,

$$142177 = 10a + 5b \text{ ----- (iii)}$$

$$290689 = 5a + 85b \text{ ----- (iv)}$$

Here,

Multiplying eqⁿ (iii) by 5 and eqⁿ (iv) by 10 and subtracting eqⁿ (iv) from eqⁿ (iii) we get,

$$\begin{array}{r} 710885 = 50a + 25b \\ - 2906890 = -50a - 850b \\ \hline -2196005 = -825b \end{array}$$

$$\begin{array}{r} b = \frac{-2196005}{-825} \\ = 2661.82 \end{array}$$

Now,

Substituting value of b=2661.82 in eqⁿ (iii) we get,

$$142177 = 10a + 5b$$

$$142177 = 10a + 5 \times 2661.82$$

$$142177 = 10a + 13309.10$$

$$142177 - 13309.10 = a$$

$$\frac{128877.90}{10} = a$$

$$a = 12886.80$$

Thus, the trend equation will be

$$Y_c = a + bx$$

$$= 12886.80 + 2661.82 x$$