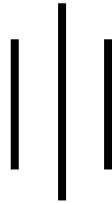


A Thesis

AN ANALYSIS ON DEPOSIT MOBILIZATION OF COMMERCIAL BANKS OF NEPAL

(A Study of NBL and NABIL)



SUBMITTED BY:

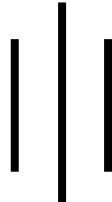
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In the partial fulfillment of requirement of the degree of

Master of Business studies (MBS)

SUBMITTED TO:

Office of Dean

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Kirtipur ,Kathmandu

December. 2013

RECOMMENDATION

This is to certify that the Thesis

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"An Analysis on Deposit Mobilization of Commercial Banks of Nepal"

(A study of NBL and NABIL)

And found the Thesis to be original work of the student written in accordance with the prescribed format. The committee recommends the Thesis to be accepted as partial fulfillment of the requirements for the degree of Master of Business Studies (M.B.S).

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DECLARATION

I hereby declare that the work reported in this thesis entitled "**An Analysis on Deposit Mobilization of Commercial Banks of Nepal**" (A study of NBL and NABIL), submitted to University Campus, Faculty of Management, Tribhuwan University is my original work done in the prescribed form for the partial fulfillment of the Masters of Business Studies (MBS) under the supervision of **Associate Prof. Dr. Ramjee Gautam**, Lecture of, Faculty of Management of University Campus Kirtipur.

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ACKNOWLEDGEMENT

Commercial Banks are the principal agent of Money Market and they are considered to be the major instrument of the financial system as well. They take about 81% of the deposits held by entire depository institutions and lend about 71% of the total Loans and Advances. Thus, commercial Banks and their deposit mobilization transactions obviously affect the national economic system. Moreover, Lending and Borrowing transactions that take place through the commercial Banks influence the daily livings of people of each sector in the nation. In this way the relationship among Lenders (Depositors), Commercial Banks, and the Borrowers might be considered to be an enthusiastic subject to study.

On behalf of the report, I want to extend my gratitude to all who helped me in the preparation of this research report. Special thanks to respective **chairperson of research committee, Head of Department** and thesis supervisor **Associate Prof.Dr.Ramjee Gautam**, central department of management for his final and valuable suggestion to prepare this thesis.

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I look forward to receiving any comments and suggestions on the Thesis from all the interested readers for further improvement.

Hari Prasad Sedai

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Central Department of Management

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ABBREVIATIONS

| | |
|-------|--|
| a/c | Account |
| ADB | Agricultural Development Bank |
| B.S. | Bikram Sambat |
| BAFIA | Banking And Financial Institution Act |
| C.V. | Co-efficient of Variance |
| ed. | Edition |
| Fig. | Figure |
| IBRD | International Banks For Reconstruction And Developments |
| IMF | Internal Monetary Fund |
| JVBS | Joint Venture Banks |
| Ltd. | Limited |
| MIS | Management Information System |
| NBL | Nepal Bank Limited |
| NRB | Nepal Rastra Bank |
| P.E. | Probable Error |
| RBB | Rastra Banijya Bank |
| S.D. | Standard Deviation |
| S.N. | Serial Number |
| SCBNL | Standard Chartered Bank Nepal Limited |
| UDC | Under Developed Country |
| US | United State |
| UK | United Kingdom |

CHAPTER-ONE

INTRODUCTION

1.1 General background

Bank is an institution that works for making the monetary transactions sound and effective. Bank is an establishment for depositing, withdrawing and borrowing money. Commercial banks are the institutions who pool to gather the scattered saving of the people and arrange for its productive use. In other words, they accept the surplus fund of people as deposit and supply it to meet the financial needs of modern business by various means.

In the present context of time, bank is very much important for every part of society i.e. for trading concern, for government and individual in general. It has played vital role for the development of nation as well as for the development in the quality of life. Further, bank encourages the general public to save their earnings by providing some percent of interest. The country can make speedy development only if there is availability of sufficient banking facilities.

Main objective of the bank is to mobilize idle resources into productive sectors by collecting the funds from scattered sources. Bank accumulates the idle money from the scattered sources and lends it to the various productive sectors in an economy that certainly yields positive results in an economy, employment opportunities, economic activities and finally developing the whole economy.

Banks collect the saving of people in the form of deposits collection and investment in the productive area. They give the loan to the people; banks mobilize deposit collected from people. People who have a lot of money also consume precious goods; people have no idea the investment in productive line. The interest rate of the deposit varies to the different banks as the central bank has freed up the commercial banks to determine the interest rate of their own.

The performance of any bank basically depends upon its sound lending policy, procedure and investing its funds in different securities and sectors of market. A sound fund mobilizing policy is not only prerequisite for bank profitability but also crucially significant for the promotion of commercial saving of backward country like Nepal. Fund mobilization policy is the policy which gives the detail guidelines about how the company are collecting and utilizing its funds.

The development of a country is always measured by its economic development through indices. Therefore every country has given emphasis on uplifting of a country can hardly be carried forward without the assistances of financial institution. The role of commercial banks in supplying the credit in the economy is vital. Banks are the main sources which motivate people to save their earnings. The proposed study is believed to be beneficial for a number of individuals, groups, and organizations directly or indirectly.

In modern age, economic condition is one of the most remarkable distinctions. In this universe, there are a number of countries whose economic condition is very high with per capita income of more than US \$ 30,000.00 while there are such countries whose economic condition is very poor with per capita income of less than \$500 per annum. Of course, these countries are trying to lift up their economic condition. These countries are suffering from numerous problems. However, recently, significant improvement has been seen in the global economic and financial scenario.

Capital formation, considered to be one of the important factors in economic development leads to increase the size of national output, income and employment solving the problem of inflation, balance of payments and making the economy free from any burden of foreign debts. Domestic capital formation helps in making a country self-sustainable.

“Capital formation was the accumulation of capital. Profit made by the business community constituted the major part of saving of the community and that savings was assumed to be invested. They thought 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 more serious limiting factors in developing countries. In the view of many economists, capital occupies the central and strategic position in the process of economic development.

In the view of many economists, capital occupied central and strategic position in the process of economic economy lie in the rapid expansion of the rate of its capital investment. So that it development in an under developed 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 the living standard begin to improve in a developing country. In developing countries the rate of saving is quite low and exiting institution are half successive in mobilizing such saving as most people have incomes so low that vertically all current income be spent in marinating a substantial level of consumption.

For the development of the nation it is required to have enough capital, without adequate capital investment may not be possible, formation of the adequate capital through the financial institution like finance company banks etc is important. It seems unquestionable that the insufficient capital accumulation is the more serious limiting factor in undeveloped countries.

Generally Bank is an institution, the essential operation of which is to make the monetary transaction possible in a sound and effective way. Bank accepts deposits of money from those who save and lend to those who need credit for some purpose. Bank accumulates idle money from general public by offering attractive or sound interest and lends it to the fund seekers in the economy Investment in fixed assets would be possible where by productivity could grow, employment could be generated

and finally national economy could be enhanced. Banks are also found to be involved in a number of agency services of remitting and collecting cash on behalf of its clients by opening bank drafts and letter of credit facility etc.

Besides, the main task of bank is to mobilize idle resources into productive sector by collecting it from scattered sources and generating profit. Banks also facilitates people to carry out their financial transaction in every sector such as organization, industries, agriculture trade and needy people as well. Bank accepts deposits in numerous forms depending upon the nature of savers and banks own product offering strategy .Some of the common deposits are saving, fixed and call deposits etc. the cost of deposits to the banks varied as central bank has freed up the commercial bank to offer the interest rate on their own.

. The financial sector like bank is a vast field, which helps in reducing poverty, increase in life style of people, increase employment opportunities and there by developing the society of a country as a whole development of a country depends upon adequate saving and invested in productive sector which is inspired by banking activities. Due to the low income there is fewer saving .people spend all the money in consumption of necessary items. People who have a lot of money also consume precious goods; people have no idea the investment in productive line. Banks are the main sources which motivate people to save their earnings. Banks collect the saving of people in the form of deposits collection and investment in the productive area. They give the loan to the people; banks mobilize deposit collected from people.

The importance of the banking as the nerve centre of economic development cannot be over emphasized and it is said that which are the need of and great wealth of country has got to be kept very scared just as water of irrigation good banks are for the country's and trade. The development of a country is always measured by its economic development through indices. Therefore every country has given emphasis on uplifting of a country can hardly be carried forward with out the assistances of financial institution. They are the indispensable part of the development process It is

the fact that the unorganized financial system leads the country. Therefore, central bank plays a major role and keeping the financial system of a country organized by providing those guidelines and directions.

Recognizing the true fact of developing country," Nepal cannot ignore the importance of commercial banks. Realizing it, Government of Nepal has been adopted the economy liberalization policy. Due to liberalization policy made by government, the number of bank has been increased and there has emerged the tough competition among them”.

1.1.1 Concept of Deposit Mobilization

Collecting scattered small amount of capital through different Medias and investing the deposited fund in productive sectors with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount (NRB, Bankers Prakashan, 1984, No. 24:12)

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 more to invest again the collected amount in the development activities (NRB, bankers Prakasan, 1984, No. 24:10)

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, saving equals to total income minus total expenditure. Basically saving can be divided into two parts: voluntary saving and compulsory savings. Amount deposited in different accounts of commercial bank, investment in government securities are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving and current.

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

To achieve the higher rate of growth and per capita income, economic development should be accelerated. “Economic development may be defined in a very broad sense as a process of raising income per head through the accumulation of capital (Johnson, 1965:11)”. But, how capital can be accumulated in the developing countries? There are two ways of capital accumulation in the developing country one from the external sources and other from the internal sources. In the first group foreign aid, loans and grants are the main. While in the later financial institutions operating within the country play a dominant role. In the context of Nepal, commercial banks are the main financial institutions which can play very important role in the resource mobilization for the economic development in the country. Trade industry, agriculture and commerce should be developed for the economic development.

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important source of capital formations (RBB, Upahar, 2055, N0. 4:14).

Deposits, such as current, saving and fixed deposits are the main part of the working capital. It is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort to every possible means laying at their disposal (NRB, Nepal Bank, Patrika, 2040, No. 13:2)

Commercial banks are set up with a view to mobilize national resources. The first conditional of National Economic development is to be able to collect more and more deposit. In these context, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization (RBB, Upahar, 2054, No. 3:20)

1.1.2 Brief Profiles of the Selected Banks

Nepal Bank Ltd.

The first bank of Nepal was established in November 15, 1937 AD (Kartik, 30, 1994), inaugurated by His Majesty King Tribhuvan. This marked the beginning of an era of formal banking in Nepal. From the very beginning and its creation, Nepal Bank Ltd, was as joint venture between the government and the private sector. Out of 2500 equity hares of NRs.100 face value, 40% was subscribed by the government and the balanced i.e. 60% was offered for the sale to private sector. There were only 10 shareholders when the bank first started. NBL's authorized capital was Rs.10 million & issued capital Rs.2.5 million of which paid-up capital was Rs.842 thousand with 10 shareholders. The bank has been providing banking through its branch offices in the different geographical locations of the country.

VisionStatement:

"We started banking in Nepal.....still we are leading way"

MissionStatement:

Nepal Bank Limited seeks to provide an environment within which the bank can bring unique financial value and services to all customers. It will be a sound institution where depositors continue to have faith in the security of their funds and receive reasonable returns; borrowers are assured of appropriate credit facilities at reasonable prices; other service- seekers receive prompt and attentive service at reasonable cost; employees are paid adequate compensation with professional career growth opportunities and stockholders receive satisfactory return for their investment.

ValueStatement:

At Nepal Bank Limited, we believe that our banking should be based on:

Respect, service and safety for the customers we serve.

- i. Respect, reward and opportunity for the people with whom we work.
- ii. Respect, cooperation and support for the economic community of Nepal.

Nabil Bank Limited

Nabil Bank was established in 1984 in joint venture with Dubai Bank with a view and objectives of extending international standard modern, professionalized and efficient banking services to various segments of the society.

Nabil has 49 networks and branches that spread out around the nation with the objective of providing services to both the business community and the common people. The head office is located at Durbarmarg, Kathmandu and other branches are at different parts of Nepal. Annual report 2011 of the bank states, “in order to make our presence felt in every walk of life and serve people across all social strata and segments, we have expanded our network by adding more branches that totals to 49 points of representation in the nation.” (NABIL Annual Report, (2011/2012))

The various ranges of Nabil Bank product and services include deposit, loan and advances, trade finance activities, remittance facilities, and foreign exchange activities. Nabil Bank provides round clock service to its customers through a large network of Automated Teller Machine (ATMs) installed all over Nepal.

Vision Statement

At Nabil, our Vision is to be a bank for all across all geopolitical zones and socioeconomic strata of the nation that can provide myriads of financial solutions and create values for all our stakeholders, to stand in the community with our economic

and civic roles. We look forward to emerging as a first rate bank across all strata of the nation.

Mission Statement

We at Nabil work together up to our vision and to bring it into reality. Our mission is therefore to prove that Nabil is driven by the spirit for realizing those visionary aspirations. With that end in view, we work in partnership with our stakeholders and the community at large. Our roadmap to reaching where we have set our mind on is by maneuvering our strategic action plans through a wellteamed and synergistic workforce into industrial end products – our customized services. Our approaches are to differentiate our products by reengineering them with the best technologies and management philosophy keeping in focus our customers’ satisfaction over and above everything else at all times. We have set our goals and objectives to hone the skills of inspired HR force and tailor our products and services to that end. With an all inclusive approach Nabil engages in customizing ranges of products catering to the entire gamut of society from financing megaprojects to underprivileged individuals and promoting enterprises across all segments of society by adding values to nation building endeavours. We are branching out on a national scale through our wideranging points of representation representing different geographic and economic zones along with our broad global network as a 1ST CHOICE PROVIDER OF COMPLETE FINANCIAL

Values Statement

We surge to turn our services and products into economic values for our treasured customers,

taking care of their financial needs. We know the world is changing and to keep pace with that we customize our services and re-engineer our products in sync with

changing time and technology. We are always geared up for translating great aspirations of our stakeholders into economic and social values. We know our customers expect unparalleled service standards; our community cherishes seeing the bank emerging as responsible corporate entity. We go beyond just making profits. Our shareholders value financial returns together with the safety of their investments. At Nabil, values for its employees are always well-defined, for it always knows that staff are great movers, therefore recognizing their financial, corporate and social values get their

spirits always going to the creative end. Nabil fosters corporate governance, realizing the values our regulators always cherish through financial disciplines. The bank has, in essence, set C.R.I.S.P. as its values that it lives by day in and day out in operating its businesses.

1.2 Focus of the study

This study focuses on the history of the deposit mobilization of total commercial banking system and two sampled banks NBL and NABIL. This study is made for the especial aim of observing the deposit mobilization position of total commercial banking system in Nepal and comparing the deposit mobilization position of NBL representing the government owned commercial bank and NABIL representing the private sector commercial bank. Therefore the study certainly focuses on the elements related to deposit mobilization. The study focuses on the analysis of efficiency of deposit mobilization of total commercial banking system and two sampled banks.

1.3 Statement of the Problem

Within the sphere of the proposed study, there exist a considerable number of problems regarding the commercial banks, services they offer such as different deposit types, their features etc., and their relationship with customers. For example: It's said that banks are not being able to fully utilize their deposits fund in to productive sectors. In other words, they are said to be more focused on retail banking rather than in corporate banking. Similarly, banks are holding major portion of their deposits liabilities as the cost bearing deposits. Likewise, it can be generalized that banks are not being able to manage their liquid assets efficiently.

Precisely, these problems could be numerically categorized into the following four broad groups, and they are being explained as well. The recent trend observed in banking industry is that they have not been able to fully utilize their deposit fund by mobilizing it into productive sectors. Due to the deteriorating economic scenario, management of the banks, and the attitude of the board of directors, they have been able to lend about 70 percent of total deposits only. Referring to the Banks' composition of deposit liabilities, it can be said that they are holding too much of cost bearing deposits.

Banks are merely the financial intermediaries that accept the deposits from the savers and invest or lend the funds to the funds seekers in the economy. Therefore, issues related to the banks' investments, and lending certainly affect the Protection of funds deposited by the savers. Definitely, there are some rules and regulations prescribed by the central bank such as the recent one which compels the banks to issue their capital equal to a billion rupees. However, banks' loan investments, capital structures, existing management slacks etc. do not represent that the public funds deposited at the banks are safe.

Commercial banks deserve the power to create money and credit because the public readily accept claims on bank deposits, particularly checks, credit and debit cards, and computer entries, in payment for goods and services. In addition, the law requires individual banks to hold only a fraction of the amount of deposits received from the public as cash reserves, thus freeing up a majority of incoming funds for making loans and other investments.

The problem specially related to this study are in the following manner:.

- How relationship between profitability position and deposit mobilization of commercial banks?
- What is the deposit mobilization position of government owned commercial banks and private sector commercial banks?

- What is the trend of deposit and investment of commercial banks?

1.4 Objectives of the Study

Banks provide both the deposit and credit services to the public. They accept the funds from the savers as deposits and lend the funds to the fund seekers in the economy. Therefore, banks can run effectively and efficiently only if they can mobilize their deposits fund at their prescribed area and realize those disbursed amounts timely. The main objectives of the study is to analyze the deposit mobilization of commercial banks.

The specific objectives of this study are :

1. To analyze the financial factors like liquidity management, efficiency and profitability position in relation to deposit mobilization of commercial banks.
2. To observe the deposit mobilization position of government owned commercial banks and private sector commercial banks.
3. To observe the trend of deposit and loan investment.
4. To examine the relationship between deposit mobilization and profitability.

1.5 Significance of the study

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

- a) The study of fund mobilizing policy would provide information to the management of the bank that would help to take corrective action in the field of banking activities.
- b) The study would provide information to the shareholder about investment on shares of various banks.
- c) The study would help the depositors to make proper decision about making deposit on their money in the concerned bank.

- d) The study would help the general public to get the information about mobilizing activities of a bank.
- e) The study helps government for the formulating policy.
- f) The study would help the student to get knowledge about the banking activities.

1.6 Limitations of the Study:

The study has focused on its objective to observe the deposit mobilization position of commercial banks. As the study is more objective and prepared for the fulfillment of academic requirement; it posses numbers of limitations. Some specific limitations are as follows:

- a) The research work made on the basis of latest eight years data from the fiscal year 2005 to 2012.
- b) The whole study is based on secondary data and accuracy depends upon the information provided by the organization.
- c) The study lacks in time and other resources as well.
- d) Only two banks can not covered financial and economic position of whole commercial banks.
- e) Simple statistical and financial tools are used for the analysis.

1.7 Organization of the study

This unit considers the total considerations of the research report. This report is organized on five chapters. These five chapters consider:

1. Introduction

The first chapter includes the introduction of the study that considers the background of the study concept of deposit mobilization , brief profiles of the selected banks, statement of problem, significance of the study, objective of the study, focus of the study, limitation of the study, and the organization of the study.

2. Review of Literature

The second chapter includes the conceptual review theoretical framework of the study, concept of commercial bank, role of commercial bank, deposit, types of deposit, deposit mobilization, need and advantage of deposit mobilization and review of related studies. Conceptual review considers the study of books and other publications related to the study and the review of related studies includes the study of past studies made on the deposit related topics especially the studies related to the deposit mobilization of commercial banks.

3. Research Methodology

This chapter contains the tools and techniques these are applied on the study. The financial and statistical tools which are used for the analysis and presentation of data are described in this chapter.

4. Presentation and analysis of data

This major chapter contains the presentation of data and analysis of the data that specify the findings of the study. Data are presented on the basis of objective of the study. This chapter contains the major findings of the study too. It helps the searcher to find out what is going on about the deposit mobilization in Nepal and selected commercial banks.

5. Summary, Conclusion and Recommendation

This is the last chapter of the study that contains summary of the study, conclusion of the study and some recommendations to the related banks and policy makers for making the deposit mobilization position of related banks and total commercial banking system

CHAPTER -TWO

REVIEW OF LITERATURE

This chapter is basically concerned with review of literature relevant to the topic “Deposit Mobilization of NBL”. Every study is very much based on past knowledge. The previous studies cannot be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research is ensured by linking the present study with the past research studies.

Literature Review is basically a “Stock Taking” of available literature in one’s 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 importance

2.1 Conceptual Review

An attempt has been made to look into a number of related books and the bank publications, especially of those related to the deposits collection and mobilization aspects, and central bank's rules and regulations that stand for the commercial banks on this regard. In addition, some sort of personal intuition has also been made.

2.1.2 Theoretical Framework of the Study

The theoretical framework of this study consists of the Introduction of commercial banks along with their role, needs and functions. The research has been done with an aim to analyze the deposit mobilization of commercial banks, deals mainly with the sources and uses of funds by the sample commercial banks. This research has been done with a focus of certain weaknesses of the commercial banks regarding their sources and uses of funds. Precisely, these problems could be numerically categorized into the following three broad groups, and they are being explained as well.

I. Banks Have Not Been Able to Utilize Their Deposits Efficiently:

The recent trend observed in banking industry is that they have not been able to fully utilize their deposit fund by mobilizing it into productive sectors. Due to the deteriorating economic scenario, management of the banks, and the attitude of the board of directors, they have been able to lend only about 60 percent of total deposits.

II. Portion of Cost Bearing Deposits to Total Deposits is high:

Referring to the Bank's composition of deposit liabilities, it can be said that they are holding too much of cost bearing deposits.

III. Safety of the Public Funds:

Banks are merely the financial intermediaries that accept the deposits from the savers and invest or lend the funds to the funds seekers in the economy. Therefore, issues related to the bank's investments, and lending certainly affect the protection of funds deposited by the savers. Definitely, there are some rules and regulations prescribed by the central bank such as the recent one which compels the banks to issue their capital equal to a billion rupees. However, bank's loan investments, capital structures, existing management slacks etc. do not represent that the public funds deposited at the banks are safe.

2.1.3 Concept of Commercial Bank

A bank is a business organization that receives and holds deposits of funds from others make loans or extents credits and transfer funds by written order of deposits (The Encyclopedia America, 1984, vol. 3:302).

A commercial bank is a dealer in money and substitutes for money and substitutions for money, such as cheque or bill of exchange. He also provides a variety of financial services (The New Encyclopedia Britanica, 1985, vol. 14:605).

The American institute of banking has laid down for functions of the commercial banks i.e. receiving and handling deposits handling payment for its clients, granting loans and investment and creating money by extension of credit (Principle of Bank Operation, USA: 609).

Principally, commercial banks accept deposits and provide loans, primarily to business firms, thereby facilitating the transfer of funds on the economy (Abrol & Gupta, 1971:65).

In the Nepalese context, commercial bank act, 1974 defines “A commercial bank as one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions (Commercial Bank Act, 1974).

Commercial Banks are those banks who pool together the savings of the community and arrange for their productive use. They supply the financial needs of modern business by various means. They accept deposits from the public on the condition that they are repayable on demand or on short notice. Commercial Banks are restricted to invest their funds in corporate securities. Their business is confined to financing. They can not finance in fixed assets. They grant loans in the form of cash credits and overdrafts. Apart from financing they also render services like collection of bills and cheques, safe keeping of valuables, financial advising etc. to their customers (Vaidya, 2001:38).

A commercial bank can be defined as an institution which deals in money in words of the Crowther “Banks collect money from those who have it to spare 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).

2.1.4 Role of Commercial Banks in Nepal

For all 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 developmental activities. However, it is obvious that unless the development of the most important sector like agriculture, industry, trade and commerce are achieved, even development is impossible. For all the development, the regular supply of financial resources is a prerequisite. Finance is thus like fuel for providing energy to move the tempo of economic development and financial institution naturally, serve as reservoir for supplying and controlling the stream of the fuel i.e. finance, the commercial banks which are the financial institutions dealing with activities of agriculture industry, trade

and commerce 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 scattered and various 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 or the various economic activities.

The institutions are now trying best to contribute more and more services and facilities for the enlistment of national economy. They have become the core of financial system by holding the deposits of millions of people, government and business units. Thus from their deposits, they make fund available through their lending and investing activities to different borrower like individuals, business firms and even to the government. They ultimately facilitate the flow of goods and services from producers to customers and to the financial activities of the government. It is quite clear that commercial banks are the most important institutions of capital formation that imply mainly saving, investment and productions which ultimately lead to the economic development of a country.

The role of commercial banking in the economy is obviously a prime prerequisite for the formulations of the bank policy as the role shapes, the nature and character of the bank. The deposit minded bankers may over stress conservation liquidity while the loan minded banker may under emphasize safety. Often Commercial Bank performs a number of interrelated functions. There are not only the custodians of the community's money but the suppliers of its liquidity. For these banks customers who seldom borrow money from the bank an important function may be the acceptance and safe keeping of deposits. But those customers who often take loans from the bank, the credit creation function may be the most important. The commercial bank is different from the other banks especially from central bank. In appearance the main distinction between central bank and a commercial bank is the now-a-days the central bank does not do much banking, but the more fundamental difference in one of aim. The main objective of the commercial bank is to make profit where as the central bank thinks of the effects of its operations on the working of the economic system.

The commercial bank has the shareholders and is expected to do the best it can for them but the central bank by contrast is usually owned by the government. The commercial bank 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 dictated by economic policy (Sayers, 1972:17-18).

Commercial Banks are those banks that are engaged in commercial banking transactions and exclude from this description such banks are established for achieving certain specific goals such as co-operatives, agricultural and industrial banks, much wider activities in relation to the economic development of the country have been empowered to the banks. Apart from strictly performing commercial functions, commercial banks so described in the act are empowered to perform such functions as the undertaking of agency business. In the issue of shares and debentures for public corporations guaranteeing and underwriting foreign exchange business under the restrictions imposed by foreign exchange act, rules, order and notifications; advancing loans for period not exceeding one year against the security of jewelers, gold and silver ornaments or gold and silver bullion or against the mortgage of land and buildings, for acquiring plant and machinery; and receiving deposits of government money according to the order of Government in those places where there are no branches of the NRB or NBL or where the NRB gives its consent to remit through bills of exchange and cheques in Nepal and foreign countries and so on (Pant, 1980:118).

Nepal has been facing the problem of accelerating the pace of economic development. In this respect the role of commercial bank in the country is vital. The commercial banking system in Nepal is still in its infant stage as compared to other development countries. However, their important role in the economic development of the country has been fully realized and these banks are being oriented in their activities best suited for the overall economic development. Today, there are 17 commercial banks are in operation. Among these Nepal Bank Ltd is the oldest one established in 1937 A.D.

These banks though not as modern as those of developed countries in their service and management's, the role they are performing for Nepal's overall economic development cannot be underestimated. They have been performing a leading role to the best of their capacity in the promotion of Agriculture, Industry, Trade and commerce etc.

Nepal being an underdeveloped country, its industries, agriculture sector, trade and commerce are still in a state of infancy. Their development greatly depends upon the effective role of commercial banks. The insufficiency of capital for the establishment of the industries, modernization in agriculture etc. has become a serious problem for economic development in Nepal.

Presently, the contribution of commercial banks in agriculture sectors has been expanding. It provides the credit facilities for the development of agriculture in cases where agricultural development banks and cooperative societies do not enter into the field. The agriculture sector needs more and more capital for the improved methods of farming viz. the fertilizers, equipment, irrigation facilities etc. require obviously more investment. Thus role of commercial bank in promoting agriculture sector is increasing in many of other bounties, 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 76 percent of the total population is engaged in agriculture and about 40 percent of the national income comes from the agriculture. Similarly, about 51% of the export trade is in agricultural product. Also if we take into account of the major industries of Nepal, they are mainly based on agriculture sector is most urgent and indispensable for strengthening the base of national economic structure.

Nepal being an under developed country, majority of the farmers in the villages are very poor. They do not have the sufficient capital to invest in this sector. The

commercial bank has an important role to play here by helping the agriculture sector through two channels:

1. By providing fixed capital to Agricultural Development Bank by purchasing its shares of debentures
2. By giving direct credit facility to the farmers on the mortgage of their land, house, food grains and other cash crops like jute, tobacco etc.

As the agricultural development needs capital, the commercial banks are helping by providing financial help to the farmers and they are able to invest or utilize the fund in different ways that make them increase agricultural product. Thus in order to accelerate the tempo of economic development of Nepal, the government and the commercial banks should play crucial role in the agriculture sector of the economy. Thus, the sound development and wide geographical coverage of commercial banks particularly in agriculture is a prerequisite for accelerated and sustained economic growth. In recent years even though the commercial banks have made rapid progress in mobilizing financial resources they are still insufficient in their lending policies. The lending policies of Nepalese commercial banks resemble more closely to those of the 19th century London banks than 21st century developing institutions. In a way, it would seem apparent that the accelerated private sector investment is dependent on the commercial banks giving more emphasis in medium and long term credit for equipment and constructions and more liberal policy on the requests of collateral. In these respects, in recent years the NBL has been doing some useful services with its development oriented approach but it goes without saying that there is a long way to go to this particular field.

Thus commercial banks in Nepal have been helping farmers by providing different facilities in Nepal. These helps are in the fields of cultivation, exporting rice, jute, paddy etc. and providing facilities regarding better market for their product helping to start livestock, poultry firm, rice mills, animal husbandry, bee firm etc. and also provide the guidance for them.

The role of commercial bank is indispensable for industrial development of 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 whatever the industrial development has been achieved by Nepal. However many other financial institutions like ADB/N, NIDC have already been established for the development of agricultural and industrial sector of the country. The commercial banks are also continuously participating in these activities. Being a mountainous country, many places are very remote and sometimes it requires many weeks to approach some of the places. Due to lack of transport and communication facilities and other geographical causes, the country has been still facing the problem of imbalances economic growth. The scattered capital of the country is unable to solve the problem of imbalance of the economy growth. Commercial banks have their appropriate role to play here by expanding their branches in the different hilly and terrain regions availing loan to the local people. In industrial sector, commercial banks are providing the necessary financial help for the industrial establishment in the country. They provide short and medium term loan to industries to purchase machineries, tools, raw materials etc. and to introduce new and developed techniques of production.

Without the development of foreign trade, economic development of a country will not be possible. Nepal has focused its trade with India and Tibet only few years ago. Today, Nepal's trade has extended with different countries of the world. Commercial banks has promoted the domestic and foreign trade of Nepal by spreading their branches all over the country and extending close relations with many renowned important by providing them facilities of BD, LC, OBD, TT etc.

Commercial banks are also helping for the development of transport by providing funds for transport industry. Similarly, banks are playing important role in tourism industries by helping to expand hotels facilities, dealing with foreign exchange and accepting traveler cheque from the tourists.

So, the role of commercial banks is extremely important for the development of industries, trade, commerce, agriculture etc, of the country. In fact, no nation can develop itself without the development of these banks. It is not only true in the capitalist countries but also true in the socialist countries and the mixed economic countries like Nepal as well.

2.1.5 Functions of Commercial Banks

Commercial Banks are directly related with the people. Commercial banks are an important bank. Its functions are very attractive for people. Although these banks are truly inspired with the objectives of gaining profit, here commercial banks are also established to accelerate common people's economic welfare and facility, to make available loan to Agriculture, Industry and Commerce and to provide the banking services to the public and the state. Along with other functions, the main functions of commercial bank are to accept deposits from the people and to lend it to those who are in need of financial aid.

2.1.6 Concept of Deposit

It is important that the commercial bank's deposit policy is the most essential policy for its existence. The growth of bank depends primarily upon the growth of its deposits. 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 liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by bank management. There are regular changes in this view in the modern banking industry. 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 (Vaikya, 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 or derivative deposits. They add to the supply of money. Banks actively create such deposits (The Encyclopedia Britannica, 1981:700).

2.1.7 Types of Deposits

Commercial bank Act 2031, defines deposits as the amounts deposited in a current, saving or fixed a/c of a bank or financial institution. People in general, the businessmen; the industrialist & other individuals deposit money in a bank. Bank flows such amount as loan & invests in different sectors to earn profit. Bank accepts deposits in current, saving & fixed deposits. In Nepal, banks grant permission to their customers to open three types of a/c under various terms & conditions. This classification is made on different theoretical & financial basis. Therefore, deposits of bank are classified on the following basis:

- i. Demand Deposits
- ii. Saving Deposits
- iii. Fixed deposits

I. Demand Deposits

The deposit in which an amount is immediately paid at the time of any a/c holder's demand is called demand deposits. In other words, we can say this type of demand deposit as current a/c. Current a/c means an a/c of amounts deposited in a bank, which may be drawn at any time on demand. Its transaction is continual & such deposit can't be invested in the productive sector, so such type of amount remains as stock in the bank. Though the bank can't gain profit by investing it in new sector after taking from

the customers, this facility is given to the customer. Therefore, the bank doesn't give interest on this account. From such deposit, the merchant & traders are benefited more than the individual. The bank should pay as many times as the cheque is sent until there is deposit in his a/c. The bank can't impose any condition & restrictions in demand deposit. An institution or an individual, who usually needs money daily, precedes their acts & transaction through such deposit. The current a/c is very important for the customers of bank.

II. Saving Deposits

The bank can collect capital through the saving deposit as well. This deposit is also important & its necessity & scope is not negligible. According to the Commercial bank Act 2031, saving accounts means an a/c of amounts deposited in a bank for savings purposes. This account is suitable & appropriate for the people of middle class, farmers and the labors who have low income, official & small businessmen. This saving deposit bears the features of both of the current & fixed period deposits. Generally, most accounts are opened saving deposit in a bank.

Therefore, the deposit is popular in people in general. According to internal rules or banks some banks demand a small amount & some banks demand a great deal of money to open saving account. Different banks have made different rules. Some banks have made one hundred thousand, some banks have made two hundred thousand, some have three hundred thousand, some have five hundred thousand & some have not fixed the limitation. So, there is divergence as to how much amount of money can be withdrawn. Banks give some interest on it.

III. Fixed Deposits

Under the commercial Bank Act 2031: fixed account means an account of amounts deposited in a bank for certain period of time. The customers opening such account deposit their money in this account, for a fixed period. In the other words, it is called time deposit because this account is deposited for a certain period.

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

2.1.8 Deposits Mobilization

“Collecting scattered small amount of capital through different Medias, investing the deposited fund in productive sector with a view to increase the income of the depositor is meant deposit mobilization. In other words, investing the collected fund in the productive sectors & increasing the income of the depositor is also known as deposit mobilization. It also supports to increase the saving through the investment of increased extra amount ”.

When we discuss about Deposit Mobilization, “we are concerned with increasing the income of the low income group of people & to make them able to save more so that they can invest again the collected amount in the development activities. The main objective of Deposit Mobilization is to convert idle saving into active saving”.

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, saving equals total income minus total expenditure.

Basically saving can be divided into two parts: Voluntary saving & Compulsory Savings. Amount deposited in different accounts of Commercial Bank, investment in government securities are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving & current.

In developing countries there is always shortage of the capital for development activities. There is need of development in all sectors. It is not possible to handle & develop all the sectors by the government alone at a time, also private people can not

undertake large business because the per capita income of the people is very low while their tendency consumes is very high. Due to the low income their saving is very low and capital formation is also very low. So their saving is not sufficient to carry out development work.

To achieve higher rate of growth and per capita income, economic development should be accelerated. "Economic development may be defined in a very broad sense, as a process of raising income per head through the accumulation of capital. There are two ways of capital accumulation, one from the external and other from the internal sources. In the first one foreign Aid, Loans and grants are the main. While in the later, financial institution operating with in the country, play in a dominant role. In the context of Nepal, commercial bank is the main financial institution which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

Economic development so defined is necessary and sufficient to generate rate of saving and investment. The generation of high rates of saving and there by investment is possible only through the commercial banks. Commercial banks occupies greater role in economic development by generating the saving towards the desired sectors from one place to another, communicating with its branches and agencies in different part of the country and the world and advising to the commercial people." Increasing the income of the low income group of people and making them able to save more, deposit mobilization helps to invest the collected deposit in desired sector".

The saving growth rate depends upon various factors such as level of country's per capita income, its growth rate, population growth rate, interest rate in saving, bank account, banking and financial facilities and net income factor etc. The national income is the measure of the nation from the economic activities. Saving is the excess of income over consumption. Investment is the expenditure made for the formation of fixed capital. Mobilization of saving implies transfer of resources from surplus

spending unit to deficit units. In this connection, financial intermediaries play an important role in mobilizing voluntary saving.

The amount of saving of a typical household in Nepal is small because the people have limited opportunities for investment. They prefer to spend saving on commodities rather than on financial assets. This restricts 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 needed at home. When capital is not mobile internally, saving from abroad will limit the investment at home.

Insurance of bank deposits, creation of proper atmosphere can increase deposits and the development of severity of capital markets with the helps of banks will prove effective in mobilizing the available floating resources in the country. Capital formation is possible through collecting scattered unproductive and small saving from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important sources of capital formation. Banking transaction refers to the acceptance of deposits from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of a certain period. According to banking rules and regulations, this definition clearly states that Deposit mobilization is the starting point of banking transactions.

Banking activities can be increased as much as we can mobilize the accumulated deposit effectively. Deposit, such as current, saving and fixed are the main part of the working Capital. It is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort every possible means laying at their way. "A Commercial bank changes the scattered unproductive small saving into loan able & active savings. The bank not only collect saving, but also provides incentives to the saver & help them to be able to save more". Commercial banks are set up with a view to mobilize national resources. The first condition of National Economic

Development is to be able to collect more & more deposit. In this context, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization.

2.1.9 Need for Deposits Mobilization

The following are some reasons for why Deposit Mobilization is needed in a developing country like Nepal. Workshop report “Deposit Mobilization why & how” Group “A” states the following points as the need for deposit mobilization. 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. It is much more important to channelize the collected deposit in the priority sector of a country. For the development of country we have to promote our business & other sectors by investing the accumulated capital towards productive sectors.

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

Commercial banks are playing a vital role for National Development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors, but also in other sectors like food grains, gold & silver etc. though these loans are traditional in nature & are not helpful to increase productivity, but it helps some extent to mobilize bank deposit.

To increase saving is to mobilize deposit. It is because if the production of agricultural & industrial products increases, it gives additional income, which helps to save more & ultimately it plays a good role in deposit mobilization. Deposit mobilization plays a vital role for the economic development of an under developed &

developing country, rather than developed one. It is because; a developed country does not feel the need of deposit mobilization for Under Developed Country (UDC) & developing country.

Deposit mobilization plays a great role in such countries. Low National Income, Low per Capita Income, lack of technical knowledge, unsound cycle of poverty, lack of irrigation & fertilizer, pressure of increased population, geographical condition etc. are the main problem of Economic Development of an UDC like Nepal.

2.1.10 Advantages of Deposit Mobilization

The advantages of deposit mobilization are as follows:

Circulation of Idle Money

Deposit mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit mobilization helps the depositor's habit of saving one side and it also helps to circulate the idle saving in productive sector on the other. This helps to create incentives to the depositors.

i. To Support Fiscal and Monetary Policy

Fiscal policy of the government and monetary policy of the central bank for economic development of a country can be supported by deposit mobilization. Deposit mobilization helps to canalize the idle money in productive sector. Again, it helps in

money supply, which saves the country from deflation and helps central banks objective of monetary policy

ii. Capital Formation

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

iii. Development of Banking Habit

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

iv. To Support Government Development Projects

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

v. To Promote Cottage Industries

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

vi. To Check up Miss-utilization of Money

Mostly our customs and habits are supported by social and religious beliefs. There is also tendency of copying others and to show their superiority buying unnecessary and

luxury items in our society. In such society, deposit mobilization proves a tool check up miss utilization of money.

vii. Others

Deposit mobilization supports small savers by earning interest, helps to the development of rural economy, protects villagers from being exploitation of indigenous bankers, increases investment incentives, provides facilities to the small farmers to purchase tools and fertilizers etc. So commercial banks play an important role for the economic development not only in a development country but also in a developing country.

2.2 Review of Related Studies

In this segment it has been tried to write the major findings of the various related articles issued by various magazines on different time period and the major findings and analysis of the various thesis that are found to be related to the study.

2.2.1 Review of Articles/Journals

In this section effort has been made to examine and review of some related articles in different economic journals, World Bank discussion papers, magazines, newspapers and other related books.

Pradhan (2053), in his article *“Deposit Mobilization, its Problem and Prospects”* has presented that deposit is the life-blood of every financial institutions, like commercial bank, finance company, and co-operative or non-government organization. He further adds in consideration of most of banks and finance companies, the latest figure dopes produce a strong feeling that serious review must be made of problems and prospects of deposit sector. Leaving few joint venture banks, other organizations rely heavily, on the business deposit and credit disbursement.

The writer has highlighted following problems of deposit mobilization in Nepalese context.

- Due to the lack of good knowledge, most of the Nepalese do not go for saving in institutional manner. However, they are very much used of saving be it in the form of cash or ornaments. Their unwillingness to deal with institutional system is governed by the lower level of understanding about financial organization process, withdrawn system, and availability of depositing facilities and so on.
- Unavailability of the institutional services in rural areas.
- Due to lesser office hours of banking systems people prefers holding and cash in the personal possession.
- No more mobilization and improvement of the employment of deposits and loan sectors.

The writer has also recommended for the prosperity of deposit mobilization which are as follows;

- By providing sufficient institutional services in the rural areas.
- By cultivating the habit of using rural banking unit.
- By adding services hour system to bank.
- NRB could also organize training programs to develop skilled man power.
- By spreading co- operative to the rural areas for development of mini-branch services to these backward areas.

Shrestha (2004), in his article, “ A study on deposits and credits of commercial banks in Nepal” concluded that the credit deposits ratio would be 51.3%, other things remaining same in the year 2004 A.D., which was the lowest under the period of review. So he has strongly recommended that the commercial banks should try to give more credit entering new field as far as possible otherwise they might not be able to absorb even its total expenses.

Bhatta (2054), on his article “*Financial policies to prevent financial crisis*” has given more emphasis on Nepalese financial market sector. He has mentioned that the financial crisis occurred in China, Mexico, South Asia, Russian Federation Ecuador,

Brazil & Argentina. This crisis affected all their economic by posing negative effect in their real output. He has also focused on Nepalese financial market, which is directly effected by the national and international events.

The most effected event was September 11 incident in the U.S.A., have added more to the fragility in the global financial market. In present context in many part of the world, the move towards liberalization is getting its momentum on one hand and process of economic development is being threatened due to various anticipated incidents on the other.

He has define a financial crisis as a description to financial markets in which adverse selection and moral hazard problems become much worse, so that financial markets are unable to efficiently channel funds to those who have the most productive investment opportunities.

He has given light on the dynamics of financial crisis dividing it into three stages. Also he has suggested the policies to prevent financial crisis. Following policies are supposed to be applicable for preventing financial crisis.

- Prudential supervision.
- Accounting standards & disclosure requirements.
- Legal and judicial system.
- Monetary policy and price stability.
- Exchange rate regimes and foreign exchange reserves.
- Capital controls.
- Restrictions on foreign denominated debt.
- Reduction of the role of the state owned financial institution.
- Encouraging market based discipline.
- Entry of foreign banks.
- Limitation of too-big –to fail in the corporate sector.
- Sequencing financial liberalization etc.

Lastly he has conducted that there is no doubt that the key to preventing future financial crisis is to implement sound domestic economic policies and build healthy financial institutions. The experiences of the crisis hit countries, especially during the decade of nineties, has proved that a country opening to liberalized economic policy should adopt sequencing policies constraining the pace of participation on the global market place until a sound domestic infrastructure can be put into place.

2.2.2 Review of Previous Thesis

Pradhan (2000), in his study “*A study on investment policy of NBL*” has tried to find out to some extent that NBL has been able to utilize mobilized deposits. This is concerned only from 2029 to 2034 B.S. and mainly based on secondary data various statistical tools; Coefficient of correlation for testing the relationship between the deposit and loan and advances, ratio analysis to compare different factors like loan and advances and deposit, bank's liquidity position, profitability condition etc.

The writer found that there is a greater relationship between deposits and loan and advances. Increase in deposits leads to increase in the loan and advances but when huge increase in the deposits leads to little bit increase in loan and advances.

Karki (2001), in the thesis entitled, “An analysis of Deposit Mobilization of RBB, Lahan Branch” has tried to see ‘the impact of interest rate on deposit mobilization also to know the efficient utilization of the accumulate deposits. This study is mainly concern with the RBB Lahan branch. The data presentation analysis of deposits and loan advances is limited to the period of ten years from the year Mid-July 1990 to Mid-July 1999. Most of data are study, the researcher has found the RBB Lahan branch is less successful to collect maximum deposit and also the deposits cannot efficiently utilized and there is negative correlation exists between interest rates and total credits.

For so, the researcher has recommended that bank should extend long term credit, the bank should not very much conscious about its security. The person, who has skill but not security, does not get loan from the bank. The bank decreased the interest in credit

side, staffs should be trained. Finally the researcher has suggested that there should be frequently communication between staffs and key customers, particularly businessman.

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 deposits mobilization towards total investment and loan and advances. Projection is for five years (i.e. 1998 to 2002). The data used in that study both secondary and primary nature. The researcher used different financial tools such as liquidity ratio, activity ratio, profitability ratio, risk ratio and coefficient of correlation, trend analysis as statistical tools. The researcher took 17 commercial banks as population and two banks i.e. Nepal Bangladesh Bank Limited (NBBL) and Everest Bank Limited (EBL) as sample banks. The researcher has found that it can be 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 case of the investment EBL is able to mobilize more funds than NBBL in this sector.

In the study, only concentrate on two banks. 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.

Paudyal(2004), on research “Funds utilization of commercial banks Nepal” he has tried to examine the funds mobilization of the commercial banks and he had concluded that the efficient mobilization of fund is more important than collection of one deposit. Also he said lower is the investment lower will be the capital

formation. If there is high ratio of investment of the available fund there will create huge capital formation for which is important to the economic growth of the nation and development of the nation there to. At last, he recommended that the commercial banks should concern their behaviors in the efficient mobilization of the resources to get the profit.

Khadka (2007), in his thesis paper, "*A study on the investment policy of Nepal Arab Bank Ltd.*" In comparison other joint venture banks in Nepal, he has compared investment policy of NAB ltd. with Nepal Grind lays Bank Limited (NGB) and Nepal Indosuez Bank Ltd. his study is based on five years period from 1992 to 1996. He has taken only two banks to compare the investment policy among thirteen commercial banks in Nepal. Mr. Khadka has suggested the joint venture banks to be careful in increasing profit in real sense to maintain the confidence of shareholders, depositors and customers. He has strongly recommended NABIL to utilizing risk assets and shareholders funds to gain highest profit margin, reduce its expenses, and cheaper fund for more profitability. He has recommended investing its fund in different sector of investment and administering various deposit schemes, house building deposit scheme etc.

The forgoing review of literature suggests that the deposits mobilization plays vital role in economic development of country. Deposit mobilization can be best examined using the factors, such as interest rate, loan and advances, investment, branch expansion etc.

2.2.3 Research Gap

Efficient banking is not only the output of interaction of institutions involved and mechanism and process of investment of the shareholders. However it is also the thing that is influenced by the rationality in mobilizing the deposits along with proper decision making by the management. In this connection, this study contributes something new toward the deposit mobilization procedure of the Nepalese

commercial banks that is not required yet by surveying the psychology and awareness of the management.

This sort of study which aims to analyze the deposit mobilization aspect of the private sector and government sector commercial banks is a new and challenging in itself but is also an opportunity to learn and identify the deposit mobilization mechanism of both public owned and government owned commercial banks. More specific studies as to the deposit mobilization have been done in the past too but this study is quite different from the other studies as this study is done with samples as a government owned bank (Nepal Bank Ltd.) and another one as a public owned commercial bank (Nabil Bank Ltd.) which is also a joint venture commercial bank. So this research is new in the recent scenario also.

CHAPTER-THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology describes the method and process applied in the study. This chapter describes the methodology employed in the study. Research methodology refers to various sequential steps which are adopted by a researcher in studying a problem with certain objectives. In other words, research methodology describes the method and process applied in the entire aspect of the study. It is the process of arriving at a solution of the problem through planned and systematic dealing with the collection, analysis, and interpretation of facts and figures.

Research is a systematic method of finding right solutions for the problem where as research methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology refers to the various methods of practices applied by the researcher in the entire aspect of the study.

The basic objectives of this study is to evaluate the fund mobilizing policy of Nabil bank and has got in the whole commercial JVBS of Nepal & recommend the useful & meaningful points, so that all concerned can achieve something from this study. To accomplish this goal, the study follows the research methodology described in this chapter.

3.2 Research Design

A research design is the arrangement of conditions for collection & analysis of data in a manner that aims to combine relevance to the research purpose with economy in

procedure. Research design is the plan, structure & strategy of investigation planned, so as to obtain answers to research questions & to control variances. Descriptive and analytical research design has been used to achieve the objective of the study.

Basically, the proposed study is mainly based on two types of research design namely descriptive and analytical. Descriptive research design describes the general attitude of the Nepalese depositors, business environment, problems regarding the deposits mobilization aspects etc. Similarly, the analytical research design makes a through analysis of gathered facts and information and critically evaluates it as well.

Some statistical & accounting tools have also been applied to examine facts, and descriptive techniques have been adopted to evaluate funds mobilizing performance of Nabil bank & Nepal Bank Limited & these are compared with the deposit mobilization position of commercial banks in aggregate.

3.3 Sources of Data

This study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan & advances, assets & profit are directly obtained from the balance sheet & profit & loss a/c of concerned bank's annual reports.

Supplementary data & information are collected from number of institution & regulating authorities like NRB, security exchange board, Nepal stock exchange Ltd, ministry of finance, budget speech of different fiscal years, economic survey & national planning commission etc.

According to the need & objectives, all the secondary data are compiled, processed & tabulated in time series. In order to judge the reliability of data provided by the banks & other sources, they were compiled with the annual reports of auditors. Formal &

informal talks to the concerned head of the department of the bank were also helpful to obtain the additional information of the related problem.

Similarly, various data & information are collected from the periodic economic journals, managerial magazines & other published & unpublished reports & documents from various sources. This research study would be based on the secondary data that were available in the published form.

Specifically, the required data for the study has been collected from the concerned organizations and a number of publishers. In other words, it has been gathered from a number of books, journals, articles, reports, etc. Some of the major types and sources of data are as follows:

- Banking and financial statistics of Nepal Rastra Bank.
- Annual report of Nepal bank ltd.
- Annual Reports of Nabil Bank Nepal Ltd.
- Central Bank's directives to Commercial Banks:
- Directive I to II
- Consortium Financial Directive.
- Main Economic Indicators

3.4 Population & Samples of the study

Currently, there are 32 Grade "A" Commercial Banks operating in Nepal which accept about 81 percent of the total deposits and sanction 71 percent of total loans and advances out of the total depository institutions. Out of these thirty one banks operating in the nation, two commercial banks representing the government sector and private sector Nepal bank limited and Nabil bank limited respectively are selected as the base for the study. The deposit mobilization positions of these two banks are studied comparatively with the deposit mobilization of aggregate commercial banks within the country.

3.5 Method of Analysis

To achieve the objectives of the study, various financial, statistical & accounting tools have been used in this study. The analysis of data will be done according to pattern of data available. Because of limited resources & time, simple analytical statistical tools such as graph, percentage, Karl Pearson's coefficient of correlation, & the method of least square, are adopted in this study. Especially descriptive analysis method is used for the study. The various calculated results obtained through financial, accounting & statistical tools tabulated under different heading and these are compared with each other.

3.6 Necessary tools and techniques for the study

This thesis work is based on financial as well as statistical analysis. Some major tools and techniques applied for making the thesis work more presentable are briefly considered below.

3.6.1 Financial analysis (Ratio Analysis)

In this unit the financial position of the banks are observed. Especially the ratio analysis technique is applied for financial analysis of total commercial banking system and sampled banks in this unit. An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number expressed in terms of another.

Ratio analysis is a technique of analysis & interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in balance sheet & income statement is known as ratio Analysis. Ratio analysis is also very helpful for decision making. The information provided by ratio analysis with the help of financial statements is very useful for making decision on any financial activity. Due to inter-firm comparison, ratio analysis

also serves as a stepping stone to remedial measures. It helps management in evolving future market strategies’.

i. Liquidity Ratios

Liquidity refers to the ability of a firm to meet its short- term or current obligations. So liquidity ratios are used to measure the ability of a firm to meet its short-term obligations and from them the present cash solvency as well as ability to remain solvent in the event of adversities of the same can be examined (Van Horne, 1999:693).

Inadequate liquidity can lead to unexpected cash short falls that must be covered at inordinate costs, thus reducing profitability. In the worst case, inadequate liquidity can lead to the liquidity insolvency of the institution. On the other hand, excessive liquidity can lead to low asset yields and contribute to poor earnings performance. (Scott, 1992:140). To find -out the ability of bank to meet their short-term obligations, which are likely to mature in the short period, these ratios are calculated.

Under the liquidity ratio following ratios are calculated .

a) Liquid Assets to Total Assets ratio = $\frac{\text{Liquid Assets}}{\text{Total Assets}}$

b) Liquid fund to total deposit ratio = $\frac{\text{Liquid fund}}{\text{Total deposit}}$

ii. Assets Management Ratio

Assets management ratio measures how efficiently the firm employs the assets. Turnover means; how much number of times the assets flow through a firm's operations and into sales (Kulkarni, 1994:138).

Greater rate of turnover or conversion indicates more efficiency of a firm in managing and utilizing its assets, being other things equal. Under this ratio following ratios are calculated;

$$\text{a) Total deposit to total assets ratio} = \frac{\text{Total deposit}}{\text{Total assets}}$$

$$\text{b) Loan and advances to total deposit ratio} = \frac{\text{Loan and advances}}{\text{Total deposit}}$$

iii. Profitability Ratios

This ratio shows the profitability conditions of the bank. Profit is essential for the survival of bank so it is regarded as the engine that drives the banking business and indicates economic progress. Profitability ratios are calculating to measure the management ability regarding how well they have utilized their funds. Lending is one of the major functions of commercial bank so following are the various types of ratio, which should the contribution of loan and advances in profit and help to be investor whether to invest in particular firm or not.

$$\text{a) Return on loan and advances ratio} = \frac{\text{Net profit}}{\text{Loan \& adv}}$$

$$\text{b) Return on total assets ratio} = \frac{\text{Net profit}}{\text{Total assets}}$$

iv. Growth Ratios

- Growth ratio of deposit
- Growth of loan and advances
- Growth of investment
- Growth of return

3.6.2 Statistical Tools

3.6.2.1 Standard Deviation

The measurement of the scatter ness of the mass of figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion, larger will be the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as home gently of a series; a large standard deviation means just the opposites. In this study, standard deviation of different ratio is calculated as:

$$S.D. = \sqrt{\frac{\sum x^2}{N} - \frac{(\sum x)^2}{N}}$$

Co-efficient of variance (C.V.)

The co-efficient of variance is the relative measurement of dispersion, comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percentage. It is calculated as.

$$C.V. = \frac{S.D.}{Mean} \times 100\%$$

Where,

$$\text{Standard deviation (S.D.)} = \sqrt{\frac{\sum x^2}{N} - \frac{(\sum x)^2}{N}}$$

Statistical tools used in the chapter are as follows,

3.6.2.2 Coefficient of Correlation Analysis (r)

“Correlation is the statistical tools that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of sigma. Among the various methods of finding out coefficient of correlation, Karl Pearson’s method is applied in the study. The result of coefficient of correlation is always between +1 & -1. When $r = +1$, it means there is perfect relationship between two variables & vice versa. When $r = 0$, it means there is no relationship between two variables.

The Pearson’s formula is:

$$r = \frac{\sum(x - \bar{x})(y - \bar{y})}{\sqrt{\sum(x - \bar{x})^2 \sum(y - \bar{y})^2}}$$

Probable error of correlation is calculated by following formula.

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

3.6.2.3 Coefficient of Determination

The coefficient of determination gives the percentage variation in the dependant variable that is accounted for by the dependant variable/s. In other words, the coefficient of determination gives the ratio of expected variance to the total variance. The coefficient of determination is given by the square of the correlation coefficient, i.e. r^2 . So the coefficient of determination is,

$$r^2 = \frac{\text{Expected variance}}{\text{Total variance}}$$

3.6.2.4 Trend Analysis

This topic trend analysis is the most important methods, which enables us to find out the actual position of business cycle over a period of years. This topic analysis the trend of deposits, loan and advances, investments and net profit of EBL and NIBL and makes the forecast for the next five years.

- Trend analysis of total deposits
- Trend analysis of loan and advances
- Total analysis of total investments
- Trend analysis of net profit

CHAPTER -FOUR

PRESENTATION AND ANALYSIS OF DATA

This chapter is the major body of the research work. This chapter presents and analyses the collected data for the achievement of the objective of this study and helps the researcher to reach to the conclusion. This chapter is divided into major two parts the first is financial analysis and the second is statistical analysis.

4.1. Financial analysis

Financial analysis is the thorough study of the financial position of an institution. Financial analysis in this study is the calculation and evaluation of various financial ratios, especially the ratios related to the deposit mobilization of selected banks.

This section deals with the analysis of different components regarding deposit mobilization. Following three categories of ratios are presented in this section:

- **Liquidity ratio**
- **Assets management ratio**
- **Profitability ratio**
- **Growth ratio**

4.1.1 Analysis of Liquid assets to total assets ratio

This ratio indicates the total liquid assets divided by total assets ratio. Liquid assets are known as cash and bank balance whereas total assets are known as total fixed assets and total current assets. It measures the liquid assets from its total assets because liquid assets are a part of total assets.

Table No. 4.1

Liquid assets to total assets ratio

| Years | NBL | NABIL |
|---------|-------|--------|
| 2004/05 | 0.09 | 0.06 |
| 2005/06 | 0.10 | 0.08 |
| 2006/07 | 0.15 | 0.09 |
| 2007/08 | 0.10 | 0.05 |
| 2008/09 | 0.17 | 0.06 |
| 2009/10 | 0.19 | 0.05 |
| 2010/11 | 0.20 | 0.06 |
| 2011/12 | 0.20 | 0.11 |
| Mean | 0.15 | 0.07 |
| S.D. | 0.044 | 0.02 |
| C.V. | 29% | 28.75% |

The above table 4.1 shows the liquid assets to total assets ratios of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, NBL has higher than that of NABIL which indicates NBL has maintained its liquid assets higher than that of NABIL. On the other hand, on the basis of C.V. it can be concluded that liquid assets to total assets ratios of NBL is less stable and consistent than that of NABIL i.e. $29% > 28.75%$.

4.1.2 Analysis of Liquid Fund to total deposit ratio

This ratio is calculated dividing liquid fund by total deposit. Liquid fund indicates the cash and bank balance as well as money at call where as total deposit indicates the amount which is deposit by the customers. It measures the liquid fund maintained by the bank from its total deposit.

Table No. 4.2

Liquid Fund to total deposit ratio

| Years | NBL | NABIL |
|---------|--------|--------|
| 2004/05 | 0.17 | 0.09 |
| 2005/06 | 0.15 | 0.12 |
| 2006/07 | 0.18 | 0.08 |
| 2007/08 | 0.12 | 0.14 |
| 2008/09 | 0.21 | 0.11 |
| 2009/10 | 0.24 | 0.10 |
| 2010/11 | 0.24 | 0.09 |
| 2011/12 | 0.21 | 0.10 |
| Mean | 0.19 | 0.11 |
| S.D. | 0.04 | 0.02 |
| C.V. | 18.89% | 14.37% |

The above table 4.2 shows the liquid fund to total deposit ratios of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, NBL has higher than that of NABIL i.e. $0.19 > 0.11$ which indicates NBL has maintained its liquid fund higher than that of NABIL from its total deposit. On the other hand, on the basis of C.V. it can be concluded that liquid fund to total deposit ratios of NBL is less stable and consistent than that of NABIL i.e. $18.89\% > 14.37\%$.

4.2.1 Analysis of total deposit to total assets ratio

This ratio is calculated dividing total deposit by total liabilities. Total deposit indicates the amount which is deposited by the customers where as total Assets comprises of the total value of the assets side of balance sheet. It measures the total deposit from its total assets of the particular bank.

Table No. 4.3

Total deposit to total assets ratio

| Years | NBL | NABIL |
|---------|--------|-------|
| 2004/05 | 0.53 | 0.78 |
| 2005/06 | 0.65 | 0.80 |
| 2006/07 | 0.81 | 0.79 |
| 2007/08 | 0.83 | 0.90 |
| 2008/09 | 0.81 | 0.82 |
| 2009/10 | 0.84 | 0.85 |
| 2010/11 | 0.84 | 0.81 |
| 2011/12 | 0.92 | 0.73 |
| Mean | 0.68 | 0.81 |
| S.D. | 0.15 | 0.05 |
| C.V. | 22.40% | 5.80% |

The above table 4.3 shows the total deposit to total assets ratios of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, NBL has less than that of NABIL i.e. $0.68 < 0.81$ which indicates NBL has less collect the total deposit fund than that of NABIL on the comparison of its total assets. On the other hand, on the basis of C.V. it can be concluded that total deposit to total assets ratios of NBL is less stable and consistent than that of NABIL i.e. $22.40\% > 5.80\%$.

4.2.2 Analysis of total loan and advance to total deposit ratio

This ratio is calculated to fund out how efficiently the banks are using their total deposit on loan and advances for profit generating purpose. A high ratio of loan and advances indicates better mobilization of collected deposit and vice-versa. But it should be noted that too high ratio might not be better from its liquidity point of view.

Table No. 4.4

Total loan and advance to total deposit ratio

| Years | NBL | NABIL |
|---------|--------|-------|
| 2004/05 | 0.53 | 0.76 |
| 2005/06 | 0.36 | 0.67 |
| 2006/07 | 0.35 | 0.68 |
| 2007/08 | 0.38 | 0.67 |
| 2008/09 | 0.44 | 0.74 |
| 2009/10 | 0.60 | 0.71 |
| 2010/11 | 0.57 | 0.78 |
| 2011/12 | 0.53 | 0.77 |
| Mean | 0.47 | 0.72 |
| S.D. | 0.10 | 0.04 |
| C.V. | 19.85% | 5.97% |

The table 4.4 shows fluctuating trend in maintained total loan and advances to total deposit ratio of both banks of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, NBL has less than that of NABIL i.e. $0.47 < 0.72$ which indicates NBL has less maintained total loan and advances to total deposit than that of NABIL from its total deposits. On the other hand, on the basis of C.V. it can be concluded that total loan and advances to total deposit ratios of NBL is less stable and consistent than that of NABIL i.e. $19.85\% > 5.97\%$.

4.2.3 Analysis of total investment to total deposit ratio

Investment is one of the major credit task to earn income of the particular firm. This implies the utilization of firms deposit on investment in government securities and shares, debentures of other companies and banks. A commercial banks may mobilize its bank deposit by investing its fund in difference securities issued by government and other financial or non financial companies.

Table No. 4.5

Total investment to total deposit ratio

| Years | NBL | NABIL |
|---------|--------|--------|
| 2004/05 | 0.40 | 0.30 |
| 2005/06 | 0.41 | 0.32 |
| 2006/07 | 0.42 | 0.38 |
| 2007/08 | 0.40 | 0.31 |
| 2008/09 | 0.30 | 0.29 |
| 2009/10 | 0.14 | 0.29 |
| 2010/11 | 0.16 | 0.26 |
| 2011/12 | 0.15 | 0.26 |
| Mean | 0.30 | 0.30 |
| S.D. | 0.12 | 0.40 |
| C.V. | 39.83% | 11.96% |

The table 4.5 shows fluctuating trend in total investment to total deposit ratio of both banks of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, both NBL and NIBL have same mean ratio i.e.0.30 which indicates both banks maintained same level of investment from their total deposit. On the other hand, on the basis of C.V. it can be concluded that total investment to total deposit ratios of NBL is less stable and consistent than that of NABIL i.e. 39.83%>11.96%.

4.3.1 Analysis of return on loan and advance ratio

This ratio indicates how efficiently the bank has employed its resource and major earning capacity of commercial banks in the firm of loan and advances. High ratio implies success in mobilize fund as loan and advances and vice-versa.

Table No. 4.6

Return on loan and advance ratio

| Years | NBL | NABIL |
|---------|--------|--------|
| 2004/05 | 0.08 | 0.07 |
| 2005/06 | 0.18 | 0.08 |
| 2006/07 | 0.22 | 0.04 |
| 2007/08 | 0.12 | 0.03 |
| 2008/09 | 0.07 | 0.06 |
| 2009/10 | 0.01 | 0.05 |
| 2010/11 | 0.10 | 0.03 |
| 2011/12 | 0.02 | 0.04 |
| Mean | 0.10 | 0.06 |
| S.D. | 0.07 | 0.02 |
| C.V. | 68.01% | 33.33% |

The table 4.6 shows fluctuating trend in return on loan and advance ratio of both banks of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, NBL has higher than that of NABIL i.e. $0.10 > 0.06$ which indicates NBL earned high level of return than that of NABIL from its loan and advance. On the other hand, on the basis of C.V. it can be concluded that return on loan and advance ratios of NBL is less stable and consistent than that of NABIL i.e. $68.01\% > 33.33\%$.

4.3.2 Analysis of return on total assets ratio

This ratio shows the relationship of Net profit and total assets and is to determine how efficiently the total assets and is to determine how efficiently the total assets have been used by the management. This ratio indicates the ability of generating profit per rupees of total assets. It also evaluates the present return on the total assets as a guide for return expected on future purchase of assets. Higher the ratio shows the more efficient operating of management and lower the ratio shows the low efficient operating of management.

Table No. 4.7

Return on total assets ratio

| Years | NBL | NABIL |
|---------|--------|--------|
| 2004/05 | 0.02 | 0.04 |
| 2005/06 | 0.04 | 0.04 |
| 2006/07 | 0.07 | 0.02 |
| 2007/08 | 0.04 | 0.02 |
| 2008/09 | 0.02 | 0.04 |
| 2009/10 | 0.01 | 0.03 |
| 2010/11 | 0.002 | 0.02 |
| 2011/12 | 0.01 | 0.02 |
| Mean | 0.03 | 0.03 |
| S.D. | 0.02 | 0.009 |
| C.V. | 66.50% | 31.18% |

The table 4.7 shows fluctuating trend in return on total assets ratio of both banks of the NBL and NABIL banks. The ratios of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Similarly, considering the mean ratio, both NBL and NIBL have same mean ratio i.e.0.30 which indicates both banks earned same level of return from their total assets. On the other hand, on the basis of C.V. it can be concluded that return on total assets ratios of NBL is less stable and consistent than that of NABIL i.e. 66.50%>31.18%.

4.3.3 Analysis of return on total deposit ratio

Net profit is the major element of business organization. This study aims to analyze the trend of net profit to total deposit ratio of NBL and NABIL for the study period of eight years from 2005to 2012. In this analysis the increasing trend and the high trend ratio is considered as the best. Following table and graph line describe the trend of ratios of net profit to total deposit ratio of above mentioned banks.

Table No 4.8

Net Profit to Total Deposit Ratio (In percentage)

| Years | NBL | NABIL |
|---------|------|-------|
| 2004/05 | 4.03 | 5.61 |
| 2005/06 | 6.57 | 5.06 |
| 2006/07 | 7.97 | 9.94 |
| 2007/08 | 4.91 | 2.35 |
| 2008/09 | 2.94 | 4.35 |
| 2009/10 | 0.59 | 3.88 |
| 2010/11 | 0.27 | 2.61 |
| 2011/12 | 0.73 | 3.13 |
| Mean | 3.50 | 4.62 |
| S.D. | 2.71 | 2.28 |
| C.V. | 0.78 | 0.49 |

Table No. 4.8 represents of the trend of ratio of Net profit to total deposit ratio during the study period. The trend lines show that fluctuating trend in the ratio of both selected banks. NBL and NABIL have fluctuating trend in the ratio so both banks has not good position of net profit to total deposit ratio. Even that NABIL position is some better than NBL.

By considering the mean ratio of net profit to total deposit, NABIL has higher mean ratio than that of NBL i.e. $4.62 > 3.50$ which shows that NABIL has maintained higher net profit from its total deposit than that of NBL. On the other hand, C.V. of NBL has higher than that of NABIL form which it can be concluded that the net profit to total deposit of NBL has less stable and consistent than NABIL i.e. $0.78 > 0.49$.

4.4.1 Analysis of Growth of Loan and Advances

Loan and advances are the main transaction of the commercial bank. The major element where the banks mobilize their funds is loan and advance. Commercial banks mobilize their deposit in productive sector for earning profit and making the financial position better. So, increasing growth rate is necessary for increasing the return .

Table No. 4.9

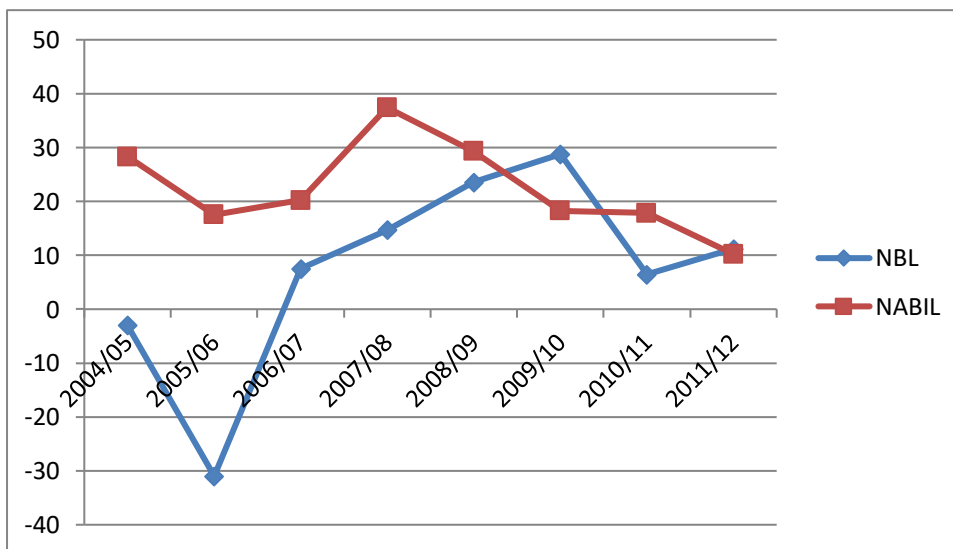
Growth of Total loans (In percentage)

| Years | NBL | NABIL |
|---------|--------|-------|
| 2004/05 | -3.02 | 28.29 |
| 2005/06 | -30.97 | 17.54 |
| 2006/07 | 7.51 | 20.24 |
| 2007/08 | 14.69 | 37.41 |
| 2008/09 | 23.57 | 29.29 |
| 2009/10 | 28.77 | 18.28 |
| 2010/11 | 6.47 | 17.82 |
| 2011/12 | 11.19 | 10.23 |
| Mean | 7.28 | 22.39 |
| S.D. | 17.20 | 18.87 |
| C.V. | 2.36 | 0.84 |

Source: Annul Reports of NBL and NABIL,2005 to2012

Figure No. 4.1

Growth of Loan and Advance



The above table 4.9 and diagram 4.1 shows the growth of loan and advance of the NBL and NABIL banks. The growth ratio of NBLs are fluctuating and the ratios of NABILs are also fluctuating trend.

Growth rate of NBL for the year 2006 is decreasing by high rate after that rapidly upward growth of loan and advance since year 2010 but after the year 2010 growth rate of NBL is slow down ward and upward. The ratio of NABIL shows the decreasing trend accept year seven, eight and nine. Similarly, considering the mean ratio, NABIL has higher than that of NBL which indicates NABIL has maintained its growth rates of loan and advances higher than NBL. On the other hand, on the basis of C.V. it can be concluded that growth rates of loan and advances of NBL is less stable and consistent than that of NABIL i.e. $2.36 > 0.84$.

After observing these factors, it is found that NABIL is in better position in comparison to NBL. And it is seemed that both bank should immediately take some action to increase the growth of loan and advance.

4.4.2 Analysis of Growth of Investment

Banks collect deposits from people and invest in various productive sectors. Banks have to collect adequate deposit and invest it to the productive sector for regular return. The investment of the bank increases only when the bank is able to increase the collection of the deposit and mobilize the collected deposit well. If the investment of the bank is increasing, the return will be high.

Table No. 4.10

Growth of Investment (In percentage)

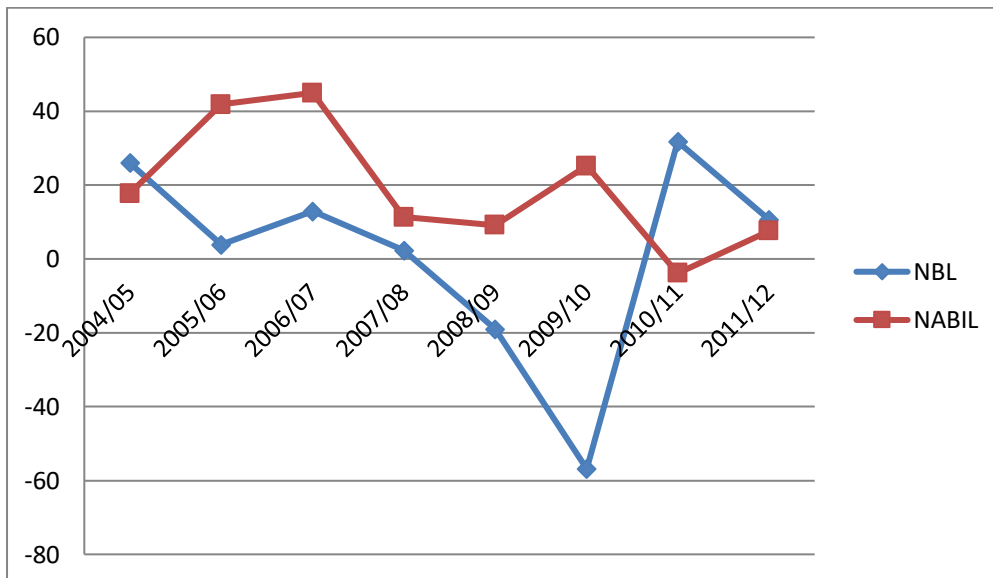
| Year | NBL | NABIL |
|---------|--------|-------|
| 2004/05 | 26.00 | 17.75 |
| 2005/06 | 3.83 | 41.84 |
| 2006/07 | 12.91 | 44.98 |
| 2007/08 | 2.26 | 11.33 |
| 2008/09 | -19.05 | 9.11 |

| | | |
|---------|--------|-------|
| 2009/10 | -56.85 | 25.17 |
| 2010/11 | 31.76 | -3.89 |
| 2011/12 | 10.59 | 7.58 |
| Mean | 1.43 | 19.23 |
| S.D. | 26.37 | 16 |
| C.V. | 18.44 | 0.83 |

Source: Annual reports of NBL and NABIL, 2005 to 2012.

Figure No 4.2

Growth of Total Investment



The above table 4.10 and diagram 4.2 indicates the growth rates of total investment of NBL and NABIL banks for the study period of eight years from 2005 to 2012.

The growth rate of both sampled banks NBL and NABIL are fluctuating during the study period. Growth rate of NBL for the year 2005, 2006, 2007, 2008, 2009, 2010, 2011, and 2012 are 26%, 3.83%, 12.91%, 2.26%, -19.05%, -56.85%, 31.76%, and 10.59%. Growth rate of NABIL for same years are 17.75%, 41.84%, 44.98%, 11.33, 9.11%, 25.17%, -3.89%, and 7.58%, respectively. After analyzing the facts and figures, it is found that the growth rate of NABIL is best for 2006 and 2007 and the

ratio of NBL is best for 2007 and 2011. But the ratio of NBL has fallen by the large percentage on 2009 and 2010.

By considering the mean ratio, NABIL has higher than that of NBL which is $19.23 > 1.43$ respectively. NABIL has maintained its growth ratio of investment better than that of NBL. On the basis of C.V. it can be concluded that growth rates investment of NABIL is more variable and consistent than that of NBL i.e. $0.83 < 18.44$.

4.4.3 Analysis of Growth of Net profit

One of the most important objectives of the bank is to maximize the profit. It is possible through the proper mobilization of deposit. If the bank is able to mobilize the deposit well, higher will be the return and the performance of the bank. The net profit is considered as the return in this unit.

Table No. 4.11

Growth of Net profit(In percentage)

| Years | NBL | NABIL |
|---------|--------|--------|
| 2004/05 | - | - |
| 2005/06 | 66.47 | 19.71 |
| 2006/07 | 32.45 | -29.98 |
| 2007/08 | -34.10 | 9.45 |
| 2008/09 | -35.96 | 116.54 |
| 2009/10 | -80.85 | 10.70 |
| 2010/11 | -48.53 | -27.91 |
| 2011/12 | 216.87 | 32.71 |
| Mean | 16.62 | 18.75 |
| S.D. | 94.05 | 45.45 |
| C.V. | 5.66 | 2.42 |

Source: Annual Reports of NBL and NABIL, 2005 to 2012

Diagram No. 4.3
Growth of Net Profit

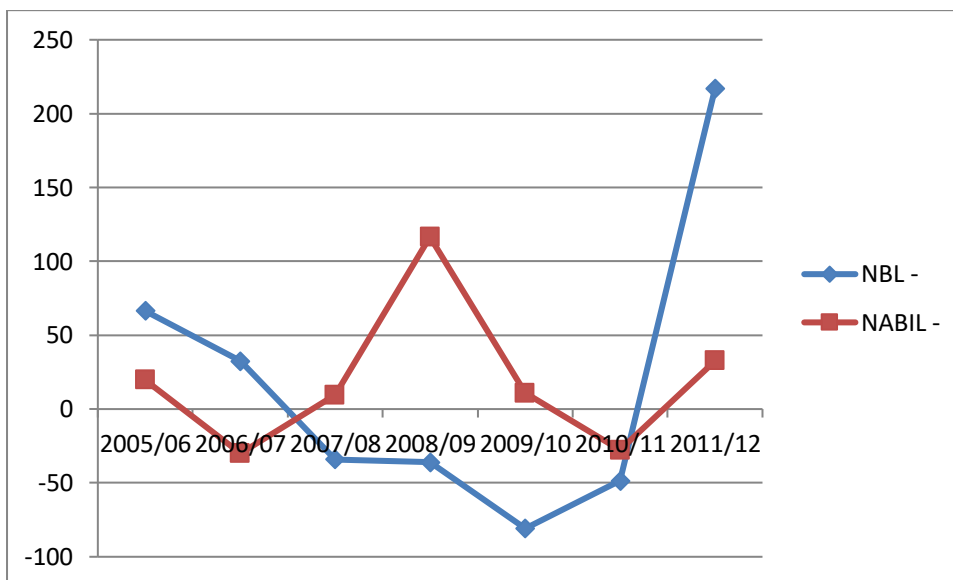


Table 4.11 and Diagram No. 4.3 shows the growth ratio of the Net profit of NBL and NABIL . The ratios are fluctuating during the study period.

The growth rate of return of NBL for the years 2006, 2007, 2008, 2009, 2010, 2011, and 2012 are 66.47 %, 32.45%, -34.10%, -35.96%, -80.85%, -48.53%, and 216.87% respectively. The growth rates of NABIL for the same years are 19.71%, -29.98%, 9.45%, 116.54%, 10.70%, -27.91%, and 32.71% respectively.

After analyzing these figures it is found that the growth rate of NBL is highly fluctuating. The growth of NABIL is seemed highly fluctuating in 2009. In year 2012 the growth ratio of NBL is higher then NABIL(i.e $132.87\% > 32.71$).

Similarly, considering the mean ratio, NABIL has higher than that of NBL which indicates growth rates of net profit of NABIL is better than that of NBL. On the other hand, on the basis of C.V., it indicates growth rates of net profit of NBL is less stable and consistent than that of NABIL which is $5.66 > 2.42$.

4.2 Statistical Analysis

This unit aims to analyze the factors related to the topic of the study by using statistical tools such as co-efficient of correlation, trend analysis and test of hypothesis between different variables. Such types of statistical analysis assist the researcher to get to the decision.

4.2.1 Analysis of Coefficient of Correlation

The coefficient of correlation defines the degree of relationship between or among two or more variables. Here we study the degree of relationship between two variables, one of them is independent variable and another is dependent variable. The Karl Pearson's method popularly known as Pearson's co-efficient of co-relation is mostly used for calculating the coefficient of correlation in practice. The Pearson's co-efficient of co- relation is denoted by "r" which shows the relationship between two variables. It helps to determine whether,

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

Correlation analysis among various statistical tools is preferred in this study to identify the relationship between variables, and measure the significance of the relationship.

For the purpose of decision making interpretations are based on the following terms;

- i. When, $r = 1$, there is perfect positive correlation.
- ii. When, $r = -1$, there is perfect negative correlation.
- iii. When, $r = 0$, there is no correlation.
- iv. When, 'r' lies between 0.7 and 0.99 (-0.7 and -0.99), there is a high degree of positive or (negative) correlation.
- v. When, 'r' lies between 0.5 and 0.69 (-0.5 and -0.69) there is moderate degree of correlation.
- vi. When, 'r' is less than 0.5 (-0.5) there is low degree of correlation.

Probable error (P.E.) of correlation

The probable error of the correlation of coefficient is applicable for the measurement of reliability of the computed value of the correlation coefficient 'r'. The probable error is calculated by;

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

For decision making purpose following points will be considered;

- i. If, $r < P.E.$ the value of 'r' is not significant no matter how high r value is. It means there is no evidence of correlation between the variables.
- ii. If $r > 6 P.E.$ the value of 'r' is significant i.e. correlation is significant.

4.2.1.1 Analysis of Correlation Coefficient between Deposit and Total Investment

The coefficient of correlation between deposit and investment is the degree of relationship between two variables. In this analysis, deposit is independent variable(x) and total investment is dependent variable(y). The purpose of this analysis is to justify whether the deposits are significantly used in proper way or not and whether there is any relationship between these variables.

Table No. 4.12

Correlation Coefficient between Deposit and Total Investment

| Banks | Base of evaluation | | | |
|-------|--------------------|-------|------|------|
| | R | r^2 | PEr | 6PEr |
| NBL | -0.57 | 0.32 | 0.16 | 0.97 |
| NABIL | 0.96 | 0.92 | 0.09 | 0.54 |

Table 4.12 shows the correlation coefficient between deposit (independent variable) and total investment (dependent variable) of NBL and NABIL are -0.57 and 0.96 respectively. This figure shows the negative relationship between the variables of NBL and positive relationship between these variables to the NABIL.

The coefficient of determination of the variables of NBL and NABIL are 0.32 and 0.92 respectively. It means 32% of the variation in investment of NBL is explained by the deposit, 92% of the variation in total investment of NABIL is explained by the deposit.

Considering the probable error, the value of PEr of NABIL is smaller than the value of correlation coefficient (i.e. r) and the value of PEr of NBL is greater than the value of correlation coefficient. Comparing the value of 6PEr with the value of coefficient of correlation (r) the value of 'r' of NBL is smaller than the value of 6PEr (i.e. $0.57 < 0.96$). It means the value of r is not significant which means the relationship between the variables is insignificant.

4.2.1.2. Analysis of Correlation Coefficient between Deposit and Loan and Advances

Correlation coefficient between deposit and loan and advance measures the degree of relationship between total deposit and loan and advances. Generally this relation should be positive and high. If the value of (r) i.e. correlation coefficient is high, it can be generalized that the bank is mobilizing its fund well and vice versa. Deposit is independent variable(x) and loan and advance is dependent variable (y). The main objective of this analysis is to compare the value of (r) of the sampled banks. This analysis further aims to observe whether the sampled banks are mobilizing their deposit and loan & advances in proper way or not.

Table No. 4.13

Correlation Coefficient between Deposit and Loan and Advances

| Banks | Base of evaluation | | | |
|-------|--------------------|----------------|-------|-------|
| | R | r ² | PEr | 6PEr |
| NBL | 0.82 | 0.67 | 0.079 | 0.47 |
| NABIL | 0.99 | 0.98 | 0.005 | 0.029 |

Table 4.13 shows the degree of correlation between deposit and loan and advance NBL and NABIL for the study period of eight years from 2005 to 2012. The degree of correlation as the value of 'r' of NBL and NABIL are 0.82 and 0.99 respectively. It means the degree of correlation between these variables of NBL is low but positive and the degree of the correlation of the variables of NABIL is high.

The value of 'r²' the coefficient of determination of NBL and NABIL are 0.67 and 0.98 respectively. It means 67% of the variation in loan and advance of NBL is explained by the deposit and 98% of the variation in loan and advance of NABIL is explained by the deposit.

Considering the probable error, the value of PEr of value of NBL and NABIL are smaller than the value of correlation coefficient (i.e. r), Comparing the value of 6PEr with the value of correlation coefficient the value of 'r' of NBL and NABIL are also greater than the value of 6PEr, so the relationship between the loan and advance and total deposit of these banks are significant.

4.2.1.3 Analysis of correlation co-efficient between Total assets and net profit

Table No. 4.14
Correlation Coefficient between Total Assets and Profit

| Banks | Base of evaluation | | | |
|-------|--------------------|----------------|------|------|
| | R | r ² | PEr | 6PEr |
| NBL | 0.40 | 0.16 | 0.20 | 1.20 |
| NABIL | 0.76 | 0.58 | 0.10 | 0.60 |

Table 4.14 presents the degree of correlation between total assets and net profit of NBL and NABIL. Correlation coefficient 'r' for above mentioned banks are 0.40 and 0.76 respectively. It means the total assets and profit of NBL is negatively correlated. But total assets and profit of NABIL is high positive correlation.

Coefficient of determination of these variables for NBL and NABIL are 0.16 and 0.58 respectively. It means, 16% of the variation in profit of NBL is explained by total assets and 58% of the variation in profit of NABIL is explained by total assets.

Analyzing the value of probable error of the correlation coefficient the value of 'r' of government bank is lower than the value of PEr, (i.e. $0.40 < 0.20$) so the relationship between the variables is insignificant. But the NABILs correlation coefficient (r) is higher than the value of PEr (i.e. $0.76 > 0.10$) so the relationship between the variables is significant. Comparing the value of 6PEr with the value of 'r', the value of 6PEr of

NBL is greater than the value of 'r' so this figure further not specifies the relationship between the variables. So that the relationship between the variables is insignificant. On the other hand the value of 6PEr of NABIL is lower then the value of r so this figure further specifies the relationship between the variables. So that the relationship between the variables is significant.

4.2.1.4 Analysis of correlation co-efficient between Total deposit and net profit

Table no 4.15

Correlation co-efficient between total deposit and net profit

| Banks | Base of evaluation | | | |
|-------|--------------------|----------------|------|------|
| | R | r ² | PEr | 6PEr |
| NBL | -0.03 | 0.001 | 0.24 | 1.43 |
| NABIL | 0.41 | 0.17 | 0.20 | 1.19 |

Table 4.15 shows the degree of correlation between deposit and net profit of NBL and NABIL for the study period of eight years from 2005 to 2012. The degree of correlation as the value of 'r' of NBL and NABIL are -0.03 and 0.41 respectively. It means the degree of correlation between these variables of NBL is negative and the degree of the correlation of the variables of NABIL is low but positive which is higher than NBL. The value of 'r²' the coefficient of determination of NBL and NABIL are 0.001 and 0.17 respectively. It means 1% of the variation in net profit of NBL is explained by the deposit and 17% of the variation in net profit of NABIL is explained by the deposit.

Considering the probable error, the value of PEr of value of NBL and NABIL are 0.24 and 0.20 where NBL has higher than that of NABIL. Comparing the value of 6PEr with the value of correlation coefficient the value of 'r' of NBL and NABIL, values of 6PEr are also greater than the value r, so the relationship between the total deposit and net profit of these banks are not significant.

4.2.1.5 Analysis of correlation co-efficient between Total Loan and advance and net profit

Table no 4.16

Correlation co-efficient between total loan and advance and net profit

| Banks | Base of evaluation | | | |
|-------|--------------------|----------------|------|------|
| | R | r ² | PEr | 6PEr |
| NBL | -0.93 | 0.86 | 0.03 | 0.20 |
| NABIL | 0.80 | 0.63 | 0.09 | 0.53 |

Table . 4.16 shows the degree of correlation between loan and advance and net profit of NBL and NABIL for the study period of eight years from 2005 to 2012. The degree of correlation as the value of 'r' of NBL and NABIL are -0.93 and 0.80 respectively. It means the degree of correlation between these variables of NBL is negative and the degree of the correlation of the variables of NABIL is low but positive which is higher than NBL. .

The value of 'r²' the coefficient of determination of NBL and NABIL are 0.86 and 0.63 respectively. It means 86% of the variation in net profit of NBL is explained by the loan and advance and 63% of the variation in net profit of NABIL is explained by the loan and advance.

Considering the probable error, the value of PEr of value of NBL and NABIL are 0.20 and 0.53 where NBL has higher than that of NABIL. Comparing the value of 6PEr with the value of correlation coefficient the value of 'r' of NBL and NABIL, values of 6PEr are also greater than the value r of NBL but not of NABIL, so the relationship between the loan and advance and net profit of these banks are not significant.

4.2.2 Trend Analysis

The statistical test used in the study which describes the trend of any variables whether it increase or decrease is known as trend analysis. This heading finds out the trend of deposit utilization of, NBL and NABIL under eight years study period.

Commercial banks mobilize deposits in various sectors like loan and advances, government securities, share and debentures and some other productive and development sectors.

4.2.2.1 Trend Analysis of total deposit of NBL and NABIL.

The trend values of total deposit of NBL and NABIL has been calculated for seven years from 2006 to 2012 and forecasted the same values next four years.

Table No. 4.17

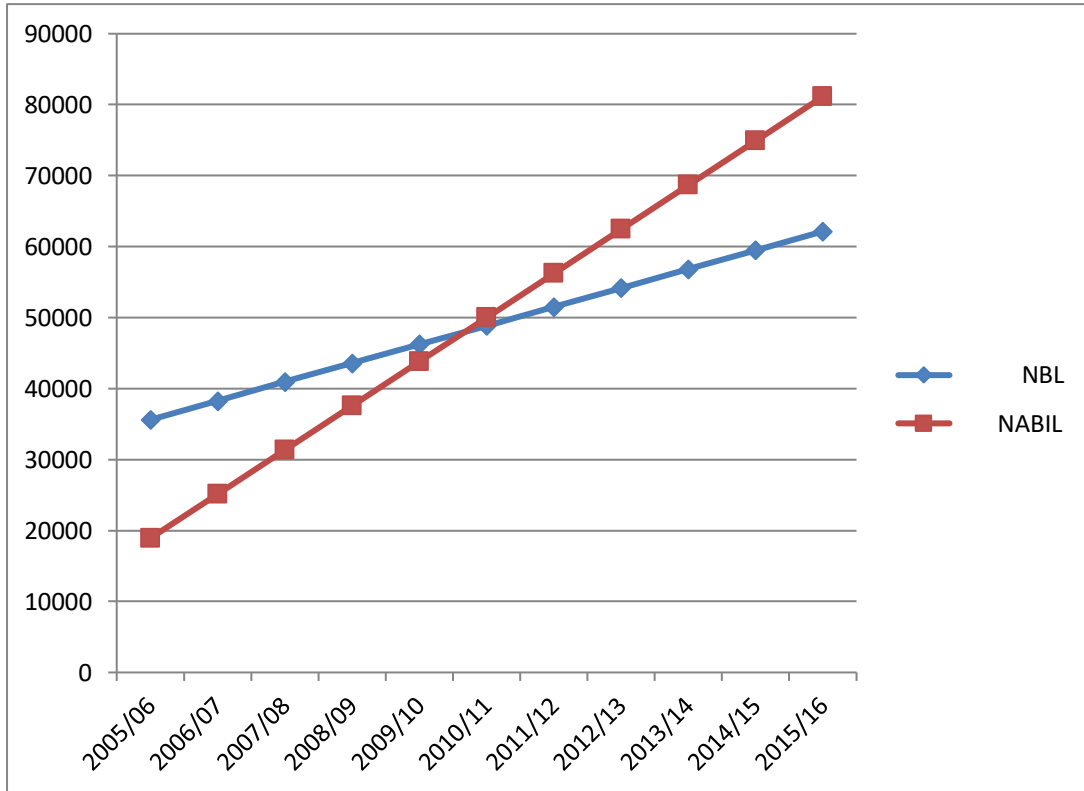
Trend Values of Total Deposit of NBL and NIBAL.

(Rs. In million)

| Years | NBL | NABIL |
|---------|-------|-------|
| 2005/06 | 35596 | 18914 |
| 2006/07 | 38251 | 25137 |
| 2007/08 | 40960 | 31360 |
| 2008/09 | 43562 | 37583 |
| 2009/10 | 46217 | 43806 |
| 2010/11 | 48873 | 50029 |
| 2011/12 | 51528 | 56252 |
| 2012/13 | 54190 | 62475 |
| 2013/14 | 56839 | 68698 |
| 2014/15 | 59494 | 74921 |
| 2015/16 | 62150 | 81144 |

Figure No. 4.4

Trend Lines of Total Deposit of NBL and NABIL



The above comparative table 4.17 and chart shows that the total trend values of deposit of both banks has in increasing trend. The highest trend value of total deposit of NBL is 81144 million and NBL is 62150 million in fiscal year 2015/16

On the basis of above analysis, it can be concluded that NABIL trend value of total deposit is comparatively higher then NBL

4.2.2.2 Trend Analysis of Loan and Advances

The trend values of Loan and Advances of NBL and NABIL has been calculated for seven years from 2006 to2012 and forecasted the same values of next four years

Table No 4.18

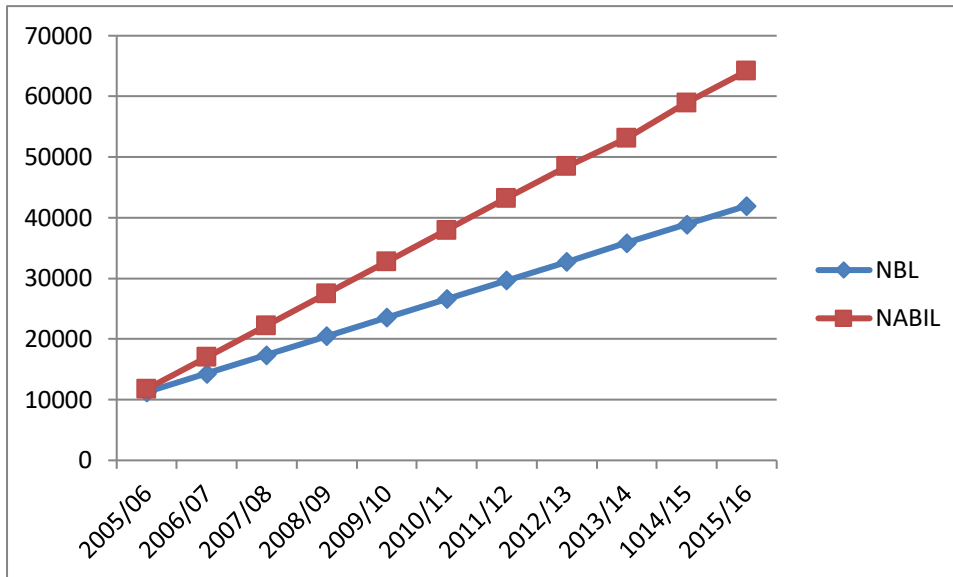
Trend Values of Loan and Advance of NBL and NABIL

(Rs in million)

| Years | NBL | NABIL |
|---------|-------|-------|
| 2005/06 | 11260 | 11764 |
| 2006/07 | 14330 | 17005 |
| 2007/08 | 17400 | 22246 |
| 2008/09 | 20470 | 27487 |
| 2009/10 | 23540 | 32728 |
| 2010/11 | 26610 | 37969 |
| 2011/12 | 29680 | 43210 |
| 2012/13 | 32750 | 48451 |
| 2013/14 | 35820 | 53092 |
| 2014/15 | 38890 | 58933 |
| 2015/16 | 41960 | 64174 |

Figure No. 4.5

Trend Lines of Loan and Advances of NBL and NABIL



The above comparative table 4.20 and chart shows that loan and advances of both banks has in increasing trend. The highest trend value of total loan and advances of NBL is 41960 million and NABIL is 64174 million in the fiscal year 2015/16

On the basis of above analysis, it can be concluded that NABIL trend value of total loan and advances is comparatively higher then that of NBL.

4.2.2.3 Trend Analysis of Total Investment.

The trend values of total Investment of NBL and NABIL has been calculated for seven years from 2006 to 2012 and forecasted the same values of next four years.

Table No. 4.19

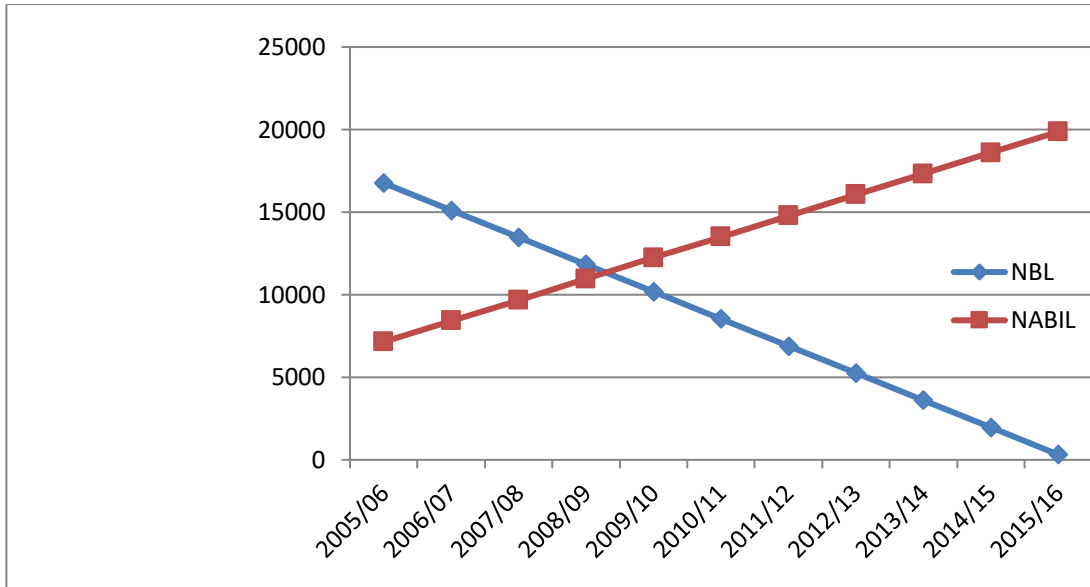
Trend analysis of Total Investment of NBL and NABIL

(Rs in million)

| Years | NBL | NABIL |
|---------|--------|--------|
| 2005/06 | 16759 | 7146 |
| 2006/07 | 15115 | 8418 |
| 2007/08 | 13471 | 9660 |
| 2008/09 | 118 27 | 10962 |
| 2009/10 | 10183 | 12234 |
| 2010/11 | 8539 | 13 506 |
| 2011/12 | 6895 | 14778 |
| 2012/13 | 5251 | 16050 |
| 2013/14 | 3607 | 17322 |
| 2014/15 | 1963 | 18594 |
| 2015/16 | 319 | 19866 |

Figure No. 4.6

Trend line of Total Investment of NBL and NABIL (In Rs million)



The above comparative table and chart shows that the total trend value of investment of NBL has decreasing trend and NABIL has increasing trend. The highest trend value of NBL has 16769 million and NABIL has 19866 million in the fiscal year 2006 and 2016 respectively

4.2.2.4 Trend Analysis of Net profit

The trend value of Net profit of NBL and NABIL has been calculated for seven years from 2006 to 2012 and forecasted the same values of next four years.

Table No.4.20

Trend analysis of Net Profit of NBL and NABIL

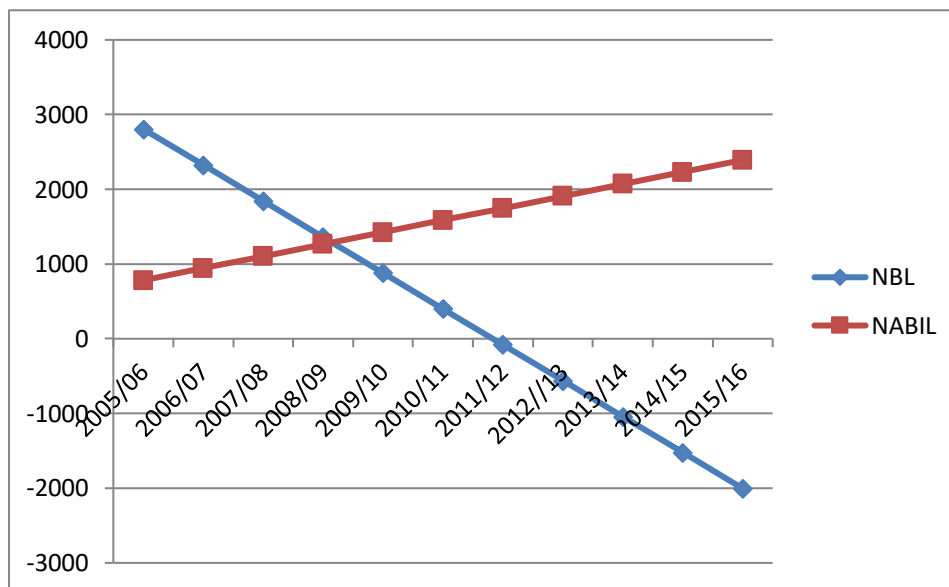
(Rs in million)

| Years | NBL | NABIL |
|---------|------|-------|
| 2005/06 | 2805 | 782 |
| 2006/07 | 2324 | 943 |
| 2007/08 | 1843 | 1104 |
| 2008/09 | 1362 | 1265 |

| | | |
|----------|-------|------|
| 2009/10 | 881 | 1426 |
| 2010/11 | 400 | 1587 |
| 2011/12 | -81 | 1748 |
| 2012//13 | -562 | 1909 |
| 2013/14 | -1043 | 2070 |
| 2014/15 | -1524 | 2231 |
| 2015/16 | -2005 | 2392 |

Figure No. 4.7

Trend Lines of Net Profit of NBL and NABIL



The above comparative table 4.22 and chart shows that the total trend value of Net profit of NBL has decreasing trend and NABIL has increasing trend. The highest trend value of NBL is 2805 million and NABIL is 2392 million in the fiscal year 2006 and 2016 respectively.

On the basis of above analysis, it can concluded that NABIL trend value of total Net profit is higher than NBL in fiscal year 2015/16

4.3 Major findings of the study

In this research, data have been basically obtained by the secondary sources. The analysis is made with the help of Financial and statistical tools. In the financial tools, ratio analysis has been used for the analysis of the financial activities of commercial banks, especially NBL and NABIL.

Considering the statistical analysis as the easy path for meeting the objective, some statistical tools have been used for the analysis. In statistical tools, correlation coefficient, trend analysis and regression have been used. This unit focuses on the major findings, which are derived from the analysis of the data related to the, NBL and NABIL. This study has been made on the basis of the related data for eight years from 2005 to 2012. The major finding of the financial analysis and statistical analysis are presented below.

I. Liquidity ratio

Liquid assets to total assets of the bank show the fluctuating trend during the study period. The mean ratio of the NBL is higher than NABIL bank i.e. $0.15 > 0.07$ during the study period. Similarly considering the C.V. NBL has greater than that of NABIL bank i.e. $29\% > 28.75\%$.

Liquid fund to total deposit of the both banks are in fluctuating trend during the study period. The mean ratio and C.V. of the NBL is higher than that of NABIL i.e. $0.19 > 0.11$ and $18.89\% > 14.37\%$ respectively during the study period.

Therefore, liquidity position of the NBL is better but risk position is higher than that of NABIL bank.

II. Assets Management Ratio

Total deposit to total assets ratios of both banks are in fluctuating trend during the study period. The mean ratio of the NBL is 0.68 which is lower than NABIL i.e. 0.81 but NBL has higher C.V. than that of NABIL i.e. $22.40\% > 5.80\%$ during the study period.

Similarly, total loan and advances to total deposit ratio of the both banks are in the fluctuating trend during the study period. NBL has less mean ratio than that of NABIL i.e. $0.47 < 0.72$ and on the other hand, considering the C.V. NBL has higher than that of NABIL i.e. $19.85\% > 5.97\%$ during the study period.

Total investment to total deposit ratio of the both banks seems to in fluctuating trend during the study period. The mean ratio of the both banks are same but C.V. NBL is 39.83% which is higher than that of NIBL i.e. 11.96%.

In conclusion, assets management position of the NABIL seems to be better than that of NBL.

III. Profitability Ratios

Return on loan and advance ratios of the both banks are in fluctuating trend during the study period. The mean ratio of NBL is 0.10 which is higher than that of NIBL i.e. 0.06 where as C.V. of NBL is higher than that of NABIL i.e. $68.01\% > 33.33\%$ during the study period.

Similarly, return on total assets ratios of the both banks are in fluctuating trend during the study period. The mean ratio of both banks are same i.e. 0.03 whereas considering the C.V., NBL has higher than that of NABIL i.e. $66.50\% > 31.18\%$ during the study period.

In conclusion, profitability position is a little bit higher than that of NABIL bank. It focuses to high risk high profit in the situation of NBL.

IV. Growth ratio

Growth ratios show the performance level of the commercial banks. The smooth growth of the performance show the perfect efficiency but this can not be found in

real practice in general life. In this study the growth of both sampled banks are analyzed and compared with each other.

Growth of deposit is one of the indicators showing the performance efficiency of commercial banks. Analyzing the growth of total deposit ratio of NBL has fluctuating ratios during the study period. The ratios of them have fallen in 2008 and taken the recovery in 2009. In case of NABIL the ratios are falling during the study period. NABIL has highest average growth of deposit during the study period in comparison to NBL. It means NABIL representing the private sector bank is more successful than government owned commercial banks in winning the belief of the customers.

Loan and advance is the most important element for investing the funds of commercial banks. Analyzing the growth ratios of loan and advance, the ratios of NBL is in falling trend. But The NABIL has fluctuating trend even positive. the statistics of NBL is showing the negative growth in loan and advance. The reason for falling growth in all commercial banks may be of the application of the policy of financial restructuring. NBL facing the great problem of default of recovery of loan has been concentrating its effort for recovery of loan than making further loan so this bank may have the negative growth in loan and advance. Another reason for falling growth may be the political instability and unfavorable environment for the trade and industry. Though the ratios of NABIL have high average growth rate so it has the positive growth rate so this bank can be considered as the efficient bank in this analysis.

Investment is another sector where the banks mobilize their funds. Increasing investment is the signal of economic recovery of the nation and financial efficiency of the commercial banks. Analyzing the growth of investment, the ratios of both sampled banks are fluctuating during the study period. The ratios of NABIL are more positive than that of NBL and NABIL has the highest average growth of investment in the study period. So it can be generalized that the private sector commercial banks are more successful in making investment in comparison to the government owned commercial banks.

Profit making is one of the most important objectives of commercial banks. If the bank is successful in making smooth growth in profit by passes of time the bank can be considered as managerially successful bank and that can easily sustain in long term. Analyzing the growth of net income, both sampled banks have the fluctuating growth during the study period. NABIL has highest mean growth of return during the period. Though NBL has negative average growth of return it has done well on the final year of the study.

V. Coefficient of Correlation

In the analysis of correlation coefficient between deposit and loan and advance, both selected banks have the positive relationship. Considering the probable error the value of coefficient of correlation (i.e. r) of NBL is greater than the value of 6PER (i.e. $0.82 > 0.47$), so the relationship between the variables is significant. The value of coefficient of correlation (i.e. r) of NABIL is greater than the value of 6PER (i.e. $0.99 > 0.029$). The relationship between the variables of NABIL is significant.

Analyzing the correlation coefficient between total assets and profit, NABIL have the positive relationship and NBL has negative relationship between these variables. Considering the probable error of NABIL have the value of coefficient of correlation (i.e. r) greater than the value six times probable error (6PER) (i.e. $0.76 > 0.6$). It means the relationship between the variables of NABIL is significant. While comparing the value of coefficient of correlation (i.e. r) with the value six times probable error (6PER) of NBL the value of coefficient of correlation is smaller than the value of (6PER) (i.e. $-0.40 < 1.20$).so the relationship between the variables of NBL is not significant.

VI. Trend analysis

From the trend analysis of total deposits, it is found that trend value of total deposit of NABIL is comparatively higher then that of NBL. If other things remain constant , it will be increasing positively for the next four periods.

From the trend analysis of loan and advances, it is found that trend value of NABIL is comparatively higher than that of NBL Which indicates that NABIL has best performance on loan and advances mobilization from their total deposits in comparison to NBL.

From the trend analysis of total investment, it is found that trend value of total investment of NABIL is comparatively higher then that of NBL because of NBL trend is decreasing line.

From the trend analysis of net profit, it is found that trend value of NBL is decreasing trend line but the NABIL trend values is in increasing trend. Other things remain constant NABIL trend will be positively increasing upward to next four years period. Another NBL trend of net profit is decreasing if bank will unable to corrective action it will be reach high negatively to next four years period.

CHAPTER –FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter includes three dimensions of the study. Summary, conclusions and recommendations designed from the comparative analysis of various aspects of the deposit mobilization of commercial banks by using some financial as well as statistical tools. First dimension of this study presents the summary of the study, second dimension of the study emphasizes to make conclusions derived from the analysis of data and their interpretation and third dimension of this study focuses for the improvement and suggestions of the deposit mobilization of the concerned banks based on the major findings of the study.

5.1 SUMMARY

Mobilization as well as canalization of saving in the productive sector is important for the economic development of the country without inflationary pressure in the economy. No doubt commercial banks play a crucial role for the economic development by formulation of capital, which is key variable in the economic development of the country. Scattered recourses hold no meaning unless and until they mobilized and utilized efficiently in some productive sectors. Commercial banks contribute to the process of capital formation by converting isolated saving into meaningful capital investment in order to aid industry, trade, commerce and agriculture for the economic development of a nation. It should not be forgotten that a country could hardly achieve its growth of economic development without a strong capital base. Commercial banks play a vital role in performing such base for financial and economic development by way of deposit mobilization. It is quite true that a strong financial institution is of great need in the developing country like Nepal. Because all the economic conditions are based on the financial institution and the development of a country depend upon the active participation of the banks in the different activities in the economy.

Deposits are the obligation of the commercial banks. So, commercial banks must allocate the funds in different loans and advances and investments. In these study two banks NBL representing the government bank and NABIL representing the private sector bank are compared with each another. In this study data of eight years from 2005 to 2012 have been considered for the targeted analysis.

Analyzing the liquidity position of the banks, both banks have satisfactory level of liquidity but NABIL has the larger portion of liquid assets in total assets. Return on liquid fund of NBL is not more satisfactory and the portions of liquid fund to total deposit of both banks are in satisfactory level in comparison. Generalizing the findings of the study it can be observed that private sector commercial banks are strong in liquidity management but government owned banks also are not in dissatisfactory conditions.

In assets management ratios both sampled banks seemed stronger than total commercial banking system in total deposit liabilities ratio , total investment to total deposit ratio and investment on government bond to total deposit ratio. Both banks are weak in loan and advance to total deposit ratio and loan and advance to total assets ratio. Comparing these all ratios of two sampled banks it is found that NABIL is stronger than NBL in all the ratios .

In the analysis of profitability ratios both sampled banks are stronger than total commercial banking system in return on loan and advance ratio and return on total assets ratio. Both banks are weaker than the total commercial banking system in interest expenses to total expenses ratio. Comparing these ratios of two sampled commercial banks it is found that NABIL is stronger than the NBL in all ratios .

In the analysis of growth ratios of NBL and NABIL these all have the fluctuating growth in deposit and investment but NBL has the negative growth in loan and advance and return. In the growth point of view NABIL is stronger than NBL and NBL is seemed weaker than NABIL.

In the analysis of correlation coefficient between the selected variables, NBL has the negative results on correlation coefficient between total assets and net profit. It means the these variables of NBL are not significantly correlated with each other during this period. Such results may have appeared because of the restructuring programs lunched for the betterment of the bank.

In trend analysis of both sampled banks are seemed strong but trend analysis of total investment and net profit of NBL is decreasing trend All of the trend values of NABIL is higher then that of NBL. It means better trend of private sector banks then the government own banks. .

Finally, in conclusion, it can be concluded that the deposit mobilization position of private sector commercial banks is better than the position of government owned commercial banks.

5.2 Conclusion

Banks are the very necessary elements for the economy of a country. The word banks generally denote the commercial banks. The commercial bank helps in the formation of capital that is the most important for the economic growth of the country.

Commercial banks in Nepal are doing well but they are not giving satisfactory result due to some internal and external factors. The deposits and its investment in productive sector by commercial banks are not stable and these are going thoroughly by the time passes on. A deposit is indeed the major organ of commercial banks. Higher the deposit higher will be the capacity of investment and higher will be the chance of mobilization of fund and make the satisfactory profit for the long term sustainability of an organization.

Banks should be careful while granting loan because loan is the blood of commercial banks for survival. If commercial bank does not adopt the sound investment policy, it

will be in greater trouble in future in the collection of loan amount. Banks should invest its funds in various portfolios after the profound study of the project. It keeps the bank far from the problem of default of payment that certainly keeps the bank safe from the bankruptcy. Diversification of investment is very much important for banks because a bank uses the money of people for the benefit of the depositors and the benefit of its own.

From the analysis made in last chapter it is found that NBL and NABIL are able to mobilize average 47.05% and 72.35 % of their deposits to the loan and advance and in investment. This figure show the stronger position of NABIL than NBL in deposit mobilization It means both the banks are efficient in deposit mobilization but NBL is weak in collecting interest and even the principal amount of the loan. The analysis of growth of deposit, loan and advance and the investment also reflects the weak position of NBL in deposit mobilization in comparison to NABIL.

Analyzing the trend of loan and advances of both sampled banks, there are increasing trend and there is no significant difference between the trend values of the NBL and NABIL. But the trend values of investment of NBL is falling during the study period. This value of NABIL is increasing during the same period. It means NABIL is managing its investment well. But NBL is sifting from investment to secured loan and advances..

Various analysis yield different results but summarizing the results it can be generalized that there is no more difference between the deposit mobilizations of government owned commercial banks and private sector commercial banks. But the private sector commercial banks seemed to be more efficient than the government owned commercial banks in deposit mobilization.

Every sector is facing the problem in Nepal due to the violence and the political instability. The commercial banking system also could not escape out from this situation. All the banks within this system have been facing the problem but this problem of NBL became great, because this is the government owned commercial

bank which is serving even in remote areas by largest number of branches. Most of the loans became the bad debt due to the unfavorable economic environment. But the positions of this bank have been falling due to the managerial inefficiency and political interference in the management in some extent.

5.3 Recommendations

The problems related to the deposit mobilization of NBL and NABIL representing the government owned commercial banks and private sector commercial banks respectively have been discussed. In accordance with facts found in previous sections, the following recommendations are made for the further improvement of the deposit mobilization of the government owned commercial banks and private sector commercial banks especially NBL and NABIL. NBL has high degree of liquidity than NABIL but comparing the return on liquid assets NABIL has higher return, it means though NBL has mobilized the liquid funds the liquidity management is not strong and there is some lapses on the deposit mobilization policy. So NBL is better to revise the liquidity management policy and implement the revised policy strongly.

- The ever mounting amount of deposits is now got to be properly mobilized in the different sectors of the economy. For the proper mobilization of deposit, banks must be prepared to take more risk on their lending and investments to encourage the borrowing by the units of the economy. In other words, it's time for them to divert their traditional collateral taking process into more realistic and potential aspects. They must provide loan for a project on the basis of its potentiality instead of sound and safe collateral.
- In order to develop the banking and saving habit of the people of remote areas in the nation, commercial banks are suggested not to be surrounded and limited within the urban areas and not to be gathered around the big clients (e.g. multinational companies, large industries, manufacturer and exporters, NGO's and INGO's, etc.). Reduction in the minimum required

threshold balance and extension of its services towards rural area and priority sector indicated by the government is must for boosting up the living standard of lower level people.

- Since commercial banks used to provide less loan and advances in comparison to its total deposits, commercial banks are strongly recommended to follow the liberal lending policy; more percentage of deposits can be invested to different profitable sector as well as towards loan and advances. Because, analysis showed investment and loan and advances as a significant factor, this affects the net profit of the banks. Subsequently, a skillful administration is the must for these assets because negligence may become a reason for liquidity crisis and more liberal lending may lead to the default of repayment of loan.
- Considering the current economic scenario, banks are suggested to further advance their retail banking through newer and innovative products. They should expand their transaction in new services such as tax revenue collection, business enterprise's bill amount collection etc. Both banks are doing these works in some extent but that is not satisfactory to the customers of all regions.
- Commercial banks themselves should seek for new investment opportunities rather than investing in identified areas. Commercial banks should establish the efficient R&D department for this purpose.
- All commercial banks should make an attractive publicity of the bank and then people will have knowledge about 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 banks should also pay attention to publish bulletin, brochures and others so as to make people familiarizes with its performance and activities.
- Training and observation tours should be organized on regular basis to increases the efficiency of the employees. Proper evaluation of the performance of the staff should be done in time. Continuous and timely evaluation of performance is must for improving the managerial efficiency of the bank. Job analysis should be done to find out the skill, knowledge, abilities etc. of the staffs that is needed for the better performance.

Finally, for the speedy development of the nation, the government owned banks as well as the private sector banks are suggested to follow decentralization policy in order to extend the modern and computerized banking facilities towards the marginal areas and for assuring the reach of remote area people in modern banking facilities.

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APPENDICES

1. Financial Analysis:

1.1.1 Liquid assets to total assets ratio:

Nepal Bank Limited

(Rs.in million)

| Year | Liquid assets | Total assets | Ratio |
|---------|---------------|--------------|-------|
| 2004/05 | 5862 | 65259 | 0.09 |
| 2005/06 | 5517 | 54133 | 0.10 |
| 2006/07 | 7004 | 47707 | 0.15 |
| 2007/08 | 5055 | 49660 | 0.10 |
| 2008/09 | 9455 | 54609 | 0.17 |
| 2009/10 | 9969 | 50094 | 0.19 |
| 2010/11 | 11283 | 55700 | 0.20 |
| 2011/12 | 11992 | 61072 | 0.20 |

Nabil Bank Limited

(Rs.in million)

| Year | Liquid assets | Total assets | Ratio |
|---------|---------------|--------------|-------|
| 2004/05 | 1195 | 18615 | 0.07 |
| 2005/06 | 1997 | 24135 | 0.08 |
| 2006/07 | 2553 | 29660 | 0.09 |
| 2007/08 | 1607 | 38479 | 0.04 |
| 2008/09 | 2508 | 45942 | 0.05 |
| 2009/10 | 2670 | 54610 | 0.05 |
| 2010/11 | 3467 | 61293 | 0.06 |
| 2011/12 | 8614 | 75545 | 0.12 |

1.1.2 Total deposit to total assets ratio

Nepal Bank Limited

(Rs.in million)

| Year | Total deposit | Total assets | Ratio |
|---------|---------------|--------------|-------|
| 2004/05 | 34744.2 | 65259 | 0.53 |
| 2005/06 | 34444.9 | 54133 | 0.65 |
| 2006/07 | 38715.2 | 47707 | 0.81 |
| 2007/08 | 41451.4 | 49660 | 0.83 |
| 2008/09 | 44346.1 | 54609 | 0.81 |
| 2009/10 | 42129.9 | 50094 | 0.84 |
| 2010/11 | 46804.2 | 55700 | 0.84 |
| 2011/12 | 5602.6 | 61072 | 0.92 |

Nabil Bank Limited

(Rs.in million)

| Year | Total deposit | Total assets | Ratio |
|---------|---------------|--------------|-------|
| 2004/05 | 14586.6 | 18615 | 0.78 |
| 2005/06 | 19347.4 | 24135 | 0.80 |
| 2006/07 | 23342.3 | 29660 | 0.79 |
| 2007/08 | 31915 | 38479 | 0.83 |
| 2008/09 | 37348.3 | 45942 | 0.81 |
| 2009/10 | 46410.7 | 54610 | 0.85 |
| 2010/11 | 49696.1 | 61293 | 0.81 |
| 2011/12 | 55023.7 | 75545 | 0.73 |

On the basis of above format, other ratios are calculated for the research work.

1.1.3 Growth rate of loan and advance:

Nepal Bank Limited

(Rs.in million)

| Year | Loan & Advance | Growth % |
|---------|----------------|----------|
| 2004/05 | 18529.3 | -3.00 |
| 2005/06 | 120790.5 | -30.97 |
| 2006/07 | 13750.6 | 7.51 |
| 2007/08 | 15770.7 | 14.69 |
| 2008/09 | 19482.2 | 23.57 |
| 2009/10 | 25086.7 | 28.77 |
| 2010/11 | 26709.9 | 6.47 |
| 2011/12 | 29698.8 | 11.19 |

Nabil Bank Limited

(Rs.in million)

| Year | Loan & Advance | Growth % |
|---------|----------------|----------|
| 2004/05 | 11078.0 | 28.29 |
| 2005/06 | 13021.3 | 17.54 |
| 2006/07 | 15657.10 | 20.24 |
| 2007/08 | 21514.60 | 37.41 |
| 2008/09 | 27816.6 | 29.29 |
| 2009/10 | 32902.8 | 18.28 |
| 2010/11 | 38765.6 | 17.82 |
| 2011/12 | 42731.7 | 10.23 |

1.1.4 Growth rate of investment

Nepal Bank Limited

(Rs.in million)

| Year | Investment | Growth % |
|---------|------------|----------|
| 2004/05 | 13889.8 | 26 |
| 2005/06 | 14421.4 | 3.83 |
| 2006/07 | 16283.3 | 12.91 |
| 2007/08 | 16651.9 | 2.26 |
| 2008/09 | 13479.00 | -19.05 |
| 2009/10 | 50815.8 | -56.85 |
| 2010/11 | 7661.9 | 31.76 |
| 2011/12 | 8473.2 | 10.59 |

Nabil Bank Limited

(Rs.in million)

| Year | Investment | Growth % |
|---------|------------|----------|
| 2004/05 | 4353.3 | 17.75 |
| 2005/06 | 6174.8 | 41.87 |
| 2006/07 | 8952.3 | 44.98 |
| 2007/08 | 9966.6 | 11.33 |
| 2008/09 | 10875 | 9.11 |
| 2009/10 | 13612.10 | 25.17 |
| 2010/11 | 13082.8 | -3.89 |
| 2011/12 | 14074.9 | 7.58 |

1.1.5 Growth rate of net profit

Nepal Bank Limited

(Rs.in million)

| Year | Net Profit | Growth % |
|---------|------------|----------|
| 2004/05 | 1399.50 | - |
| 2005/06 | 2329.70 | 66.47 |
| 2006/07 | 3085.80 | 32.45 |
| 2007/08 | 2033.40 | -34.10 |
| 2008/09 | 1302.2 | -35.90 |
| 2009/10 | 249.38 | -80.85 |
| 2010/11 | 128.35 | -48.53 |
| 2011/12 | 406.70 | 216.87 |

Nabil Bank Limited

(Rs.in million)

| Year | Net Profit | Growth % |
|---------|------------|----------|
| 2004/05 | 817.9 | - |
| 2005/06 | 979.10 | 19.71 |
| 2006/07 | 685.6 | -29.98 |
| 2007/08 | 750.4 | 9.45 |
| 2008/09 | 1624.9 | 116.54 |
| 2009/10 | 1798.7 | 10.70 |
| 2010/11 | 1296.7 | -27.91 |
| 2011/12 | 1720.9 | 32.71 |

1.1.6 Loan and Advance to total deposit ratio

Nepal Bank Limited

(Rs.in million)

| Year | Loan & Advance | Total Deposit | Ratio% |
|---------|----------------|---------------|--------|
| 2004/05 | 18529.3 | 34744.2 | 53.33 |
| 2005/06 | 120790.5 | 35444.9 | 36.09 |
| 2006/07 | 13750.6 | 38715.2 | 35.52 |
| 2007/08 | 15770.7 | 41451.7 | 38.05 |
| 2008/09 | 19482.2 | 44346.1 | 43.93 |
| 2009/10 | 25086.7 | 42129.9 | 59.55 |
| 2010/11 | 26709.9 | 46804.2 | 57.07 |
| 2011/12 | 29698.8 | 56042.6 | 52.93 |

Nabil Bank Limited

(Rs.in million)

| Year | Loan & Advance | Total Deposit | Ratio% |
|---------|----------------|---------------|--------|
| 2004/05 | 11078.0 | 14586.6 | 75.9 |
| 2005/06 | 13021.3 | 19347.4 | 67.30 |
| 2006/07 | 15657.10 | 23342.3 | 67.08 |
| 2007/08 | 21514.60 | 31915 | 67.41 |
| 2008/09 | 27816.6 | 37348.3 | 74.48 |
| 2009/10 | 32902.8 | 46410.7 | 70.89 |
| 2010/11 | 38765.6 | 49696.1 | 78.01 |
| 2011/12 | 42731.7 | 55023.7 | 77.68 |

1.1.7 Total investment to total deposit ratio

Nepal Bank Limited

(Rs.in million)

| Year | Total investment | Total Deposit | Ratio% |
|---------|------------------|---------------|--------|
| 2004/05 | 13889.8 | 34744.2 | 39.98 |
| 2005/06 | 14421.4 | 35444.9 | 40.69 |
| 2006/07 | 16283.3 | 38715.2 | 42.06 |
| 2007/08 | 16651.9 | 41451.7 | 40.17 |
| 2008/09 | 13479.00 | 44346.1 | 30.40 |
| 2009/10 | 50815.8 | 42129.9 | 13.80 |
| 2010/11 | 7661.9 | 46804.2 | 16.37 |
| 2011/12 | 8473.2 | 56042.6 | 15.12 |

Nabil Bank Limited

(Rs.in million)

| Year | Total investment | Total Deposit | Ratio% |
|---------|------------------|---------------|--------|
| 2004/05 | 4353.3 | 14586.6 | 29.84 |
| 2005/06 | 6174.8 | 19347.4 | 31.92 |
| 2006/07 | 8952.3 | 23342.3 | 38.35 |
| 2007/08 | 9966.6 | 31915 | 31.25 |
| 2008/09 | 10875 | 37348.3 | 29.12 |
| 2009/10 | 13612.10 | 46410.7 | 29.33 |
| 2010/11 | 13082.8 | 49696.1 | 26.33 |
| 2011/12 | 14074.9 | 55023.7 | 25.58 |

1.1.8 Net Profit to total deposit ratio

Nepal Bank Limited

(Rs.in million)

| Year | Net Profit | Total Deposit | Ratio% |
|---------|------------|---------------|--------|
| 2004/05 | 1399.50 | 34744.2 | 4.03 |
| 2005/06 | 2329.70 | 35444.9 | 6.57 |
| 2006/07 | 3085.80 | 38715.2 | 7.97 |
| 2007/08 | 2033.40 | 41451.7 | 4.91 |
| 2008/09 | 1302.2 | 44346.1 | 2.94 |
| 2009/10 | 249.38 | 42129.9 | 0.59 |
| 2010/11 | 128.35 | 46804.2 | 0.27 |
| 2011/12 | 406.70 | 56042.6 | 0.73 |

Nabil Bank Limited

(Rs.in million)

| Year | Net Profit | Total Deposit | Ratio% |
|---------|------------|---------------|--------|
| 2004/05 | 817.9 | 14586.6 | 5.61 |
| 2005/06 | 979.10 | 19347.4 | 5.06 |
| 2006/07 | 685.6 | 23342.3 | 9.94 |
| 2007/08 | 750.4 | 31915 | 2.35 |
| 2008/09 | 1624.9 | 37348.3 | 4.35 |
| 2009/10 | 1798.7 | 46410.7 | 3.88 |
| 2010/11 | 1296.7 | 49696.1 | 2.61 |
| 2011/12 | 1720.9 | 55023.7 | 3.13 |

1.1.9 Sample calculation of Correlation Co-efficient between total deposit and net profit of NBL

| Year | Total Deposit(x) | Total Net Profit(Y) | X=(x- \bar{X}) | X ² | Y=(y- \bar{Y}) | Y ² | XY |
|---------|------------------|---------------------|-------------------|----------------|-------------------|----------------|----------|
| 2005/06 | 34744.2 | 1399.5 | -7715.65 | 59531254.92 | 32.62 | 1064.0644 | 251684.5 |
| 2006/07 | 35444.9 | 2329.7 | -7014.95 | 49209523.5 | 962.82 | 927022.35 | -6754134 |
| 2007/08 | 38715.2 | 3085.8 | -3744.65 | 14022403.62 | 1718.92 | 2954686 | -6436754 |
| 2008/09 | 41451.7 | 2033.4 | 41451.7 | 1718243433 | 666.52 | 444248.91 | 27628387 |
| 2009/10 | 44346.1 | 1302.2 | 1886.25 | 3557939.063 | -64.68 | 4183.5024 | 122002.7 |
| 2010/11 | 42129.9 | 249.38 | -329.95 | 108867.0025 | -1117.5 | 1248806.3 | 368719.1 |
| 2011/12 | 46804.2 | 128.35 | 4344.35 | 18873376.92 | 1238.53 | 1533956.6 | -5380608 |
| 2012/13 | 56042.6 | 406.7 | 13582.75 | 184491097.6 | -960.18 | 921945.63 | 13041885 |
| Total | 339678.8 | 10935 | | 2048037895 | | 8035913.2 | -3989962 |
| Mean | 42459.85 | 1366.9 | | | | | |

$$\begin{aligned} \text{Mean of X } (\bar{X}) &= \frac{\sum X}{n} \\ &= \frac{339678.8}{8} = 42459.85 \end{aligned}$$

$$\begin{aligned} \text{Mean of Y } (\bar{Y}) &= \frac{\sum Y}{n} \\ &= \frac{10935}{8} = 1366.9 \end{aligned}$$

$$\text{We have, coefficient of correlation } (r) = \frac{\sum xy}{\sqrt{x^2} \sqrt{y^2}}$$

$$= \frac{-3989962}{\sqrt{2048037895} \sqrt{8035913.2}}$$

$$= -0.03$$

Now, co-efficient of determination (r^2) = 0.001

Similarly, the value of probable error (P.Er) = $0.6745 \times \frac{1-r^2}{\sqrt{N}}$

$$= 0.6745 \times \frac{1-0.001}{\sqrt{8}}$$

$$= 0.24$$

Again, the value of 6P.Er = 6×0.24

$$= 1.43$$

Other calculations viz. correlation between deposit and total investment, total deposit and loan & advance , total assets and net profit and total loan & advance and net profit were calculated on the basis of above format.

1.1.10 Sample Calculation of Trend Analysis of total loan and advance of NBL

| Year (t) | Loan and Advance (y) | x = (t-2009) | x ² | Xy |
|----------|----------------------|--------------|-----------------|-------------------|
| 2006 | 12791 | -3 | 9 | -38373 |
| 2007 | 13751 | -2 | 4 | -27502 |
| 2008 | 15771 | -1 | 1 | -15771 |
| 2009 | 19482 | 0 | 0 | 0 |
| 2010 | 25087 | 1 | 1 | 25087 |
| 2011 | 26710 | 2 | 4 | 53420 |
| 2012 | 29699 | 3 | 9 | 89097 |
| n = 7 | $\sum y = 143291$ | $\sum x = 0$ | $\sum x^2 = 28$ | $\sum xy = 85958$ |

Now,

$$Y_c = a + bx$$

$$\text{Where, } a = \frac{\sum y}{n} = \frac{143291}{7} = 20470$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{85958}{28} = 3070$$

Trend values of total loan and advance of NBL are calculated as follows;

| | |
|------|------------------------------------|
| 2006 | $20470 + 3070 \times (-3) = 11260$ |
| 2007 | $20470 + 3070 \times (-2) = 14330$ |
| 2008 | $20470 + 3070 \times (-1) = 17400$ |
| 2009 | $20470 + 3070 \times 0 = 20470$ |
| 2010 | $20470 + 3070 \times 1 = 23540$ |
| 2011 | $20470 + 3070 \times 2 = 26610$ |
| 2012 | $20470 + 3070 \times 3 = 29680$ |
| 2013 | $20470 + 3070 \times 4 = 32750$ |
| 2014 | $20470 + 3070 \times 5 = 35820$ |
| 2015 | $20470 + 3070 \times 6 = 38890$ |
| 2016 | $20470 + 3070 \times 7 = 41960$ |

1.1.11 Sample Calculation of Trend Analysis of total loan and advance of NABIL.

| Year (t) | Loan and Advance (y) | x = (t-2009) | x ² | xy |
|----------|----------------------|--------------|-----------------|--------------------|
| 2006 | 13021 | -3 | 9 | -39063 |
| 2007 | 15657 | -2 | 4 | -31314 |
| 2008 | 21515 | -1 | 1 | -21515 |
| 2009 | 27817 | 0 | 0 | 0 |
| 2010 | 32903 | 1 | 1 | 32903 |
| 2011 | 38766 | 2 | 4 | 77532 |
| 2012 | 42732 | 3 | 9 | 128196 |
| n = 7 | $\sum y = 192411$ | $\sum x = 0$ | $\sum x^2 = 28$ | $\sum xy = 146739$ |

Now,

$$Y_c = a + bx$$

$$\text{Where, } a = \frac{\sum y}{n} = \frac{192411}{7} = 27487$$

$$b = \frac{\sum xy}{\sum x^2} = \frac{146739}{28} = 5241$$

Trend values of total loan and advance of NABIL are calculated as follows;

| | |
|------|--------------------------------|
| 2006 | $27487+5241 \times (-3)=11764$ |
| 2007 | $27487+5241 \times (-2)=17005$ |
| 2008 | $27487+5241 \times (-1)=22246$ |
| 2009 | $27487+5241 \times 0=27487$ |
| 2010 | $27487+5241 \times 1=32728$ |
| 2011 | $27487+5241 \times 2=37969$ |
| 2012 | $27487+5241 \times 3=43210$ |
| 2013 | $27487+5241 \times 4=48451$ |
| 2014 | $27487+5241 \times 5=53692$ |
| 2015 | $27487+5241 \times 6=58933$ |
| 2016 | $27487+5241 \times 7=64174$ |

Other remains calculations of trend values are calculated under the base of above calculations.