

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

A THESIS

**SUBMITTED BY:**

**Dipesh Kumar Chaudhary**

*Roll No.: 281/065*

Tu Registration No.: 7-2-347-47-98

Thakur Ram Multiple Campus

**SUBMITTED TO:**

OFFICE OF THE DEAN

FACULTY OF MANAGEMENT

TRIBHUVAN UNIVERSITY

IN THE PARTIAL FULFILLMENT OF THE REQUIREMENT FOR

MASTER'S DEGREE OF BUSINESS STUDIES (MBS)

Birgunj, Nepal

2014

# RECOMMENDATION

This is to certify that the thesis

*Submitted by*

**Dipesh Kumar Chaudhary**

Entitled

**Deposit Mobilization of Commercial Banks in Nepal**

Has been prepared as approved by this department in the prescribed format of  
Faculty of Management. This thesis is forwarded for examination

.....  
Mr. Lalan Dwibedi  
(Supervisor)

.....  
Dr. Dipak Shakya  
(Head of Department)

.....  
Campus Chief

Date:

## VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

**Dipesh Kumar Chaudhary**

Entitled

### **Deposit Mobilization of Commercial Banks in Nepal**

and found that the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment of the requirement for Master's Degree in Business Studies

(MBS)

#### **Viva-Voce Committee**

Head of Research Department .....

Member (Thesis Supervisor) .....

Member (External Expert) .....

Date:

## DECLARATION

I, hereby, declare that the work reported in this thesis entitled "**Deposit Mobilization of Commercial Banks in Nepal**" submitted to Thakur Ram Multiple Campus, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements of Master Degree in Business Studies (M.B.S.) under the supervision of Lecturer Mr. Lalan Dwibedi, Thakur Ram Multiple Campus.

Dipesh Kumar Chaudhary

.....

Researcher

Thakur Ram Multiple Campus

Birgunj

## **ACKNOWLEDGEMENTS**

I would like to express my heartily appreciation to my thesis supervisor Mr. Lalan Dwibedi, Lecturer Thakur Ram Multiple Campus, for his guidance, critical suggestion, encouragement, support, co-operation and continuous supervision for this study.

Likewise, I would to express my sincere gratitude to Associate Professor, Dr. Deepak Shakya, Chairperson of Research Committee and Mr. Sanjay Shrestha, Krishna Kumar Sah, Thakur Ram Multiple Campus, Birgunj.

This thesis has been completed with the great deal of support and guidance from many people, without their co-operation, this research work would not have been completed.

At last but not least, I am thankful to father, mother and my wife, Mr. H.N. Dahait, who co-operated me in tabulating, the data and computer typing, setting and printing of this thesis.

Dipesh Kumar Chaudhary  
Thakur Ram multiple Campus  
Birgunj, Nepal

Date: 2014

## **TABLE OF CONTENTS**

RECOMMENDATION	<i>i</i>
VIVA-VOCE SHEET	<i>ii</i>
DECLARATION	<i>Iii</i>
ACKNOWLEDGEMENTS	<i>iv</i>
TABLE OF CONTENTS	<i>V</i>
LIST OF TABLES	<i>vii</i>
ACRONYMS AND ABBREVIATIONS	<i>viii</i>

### **CHAPTER ONE**

#### **INTROUDUCTION**

1.1	Background of the Study	1
	1.1.1 General Background of Banks in Nepal	3
	1.1.2 History of Banking Development	3
1.2	Profiles of the Banks under Study	5
1.3	Focus of the Study	6
1.4	Statement of Problem	7
1.5	Objective of the Study	8
1.6	Significance of the Study	8
1.7	Limitation of Study	9
1.8	Organization of Study	10

### **CHAPTER TWO**

#### **REVIEW OF LITERATURE**

2.1	Concept of Commercial Bank	11
2.2	Theoretical Framework	12
	2.2.1 Meaning of Interest	12
	2.2.2 Concept of Deposit	15
	2.2.2.1 Types of Deposit	16
	2.2.2.2 Importance of Deposit	18
	2.2.3 Features of Sound Lending and Fund Mobilization Policy	18
	2.2.4 Meaning of Some Important Terminologies	20
	2.2.5 Review of Legislative Provisions	22
	2.2.6 Deposit Mobilizing Procedure of Commercial Banks	25

2.2.6.1 Sources of Fund	25
2.2.6.2 Mobilization of Deposit	28
2.2.7 Review of Related Studies	30
2.2.7.1 Review of Journals/Articles, Research Papers	30
2.2.7.2 Review of Previous Theses	34

### **CHAPTER THREE**

#### **RESEARCH METHODOLOGY**

3.1 Research Design	39
3.2 Nature and Sources of Data	40
3.3 Population and Sample	40
3.4 Data Analysis Tools	42
3.4.1 Financial Tools	42
3.4.2 Statistical Tools	48

### **CHAPTER FOUR**

#### **DATA PRESENTATION AND ANALYSIS**

4.1 Liquidity Ratios	52
4.1.1 Cash and Bank Balance to Total Deposit	52
4.1.2 Cash and Bank Balance to Current Assets Ratio	54
4.1.3 Investment on Government Securities to Current Assets Ratio	55
4.2 Assets Management Ratios	56
4.2.1 Loan and Advances to Total Deposit Ratio	56
4.2.2 Total Investment to Total Deposit Ratio	57
4.2.3 Loan and Advances to Total Working Fund Ratio	59
4.2.4 Investment on Government Securities to Total Working Fund Ratio	60
4.2.5 Investment on Shares and Debentures to Total Working Fund Ratio	61
4.3 Profitability Ratios	62
4.3.1 Return on Loan and Advances Ratio	63
4.3.2 Return on Total Working Fund Ratio	64
4.3.3 Total Interest Earned to Total Working Fund Ratio	65
4.3.4 Total Interest paid to Total Working Fund Ratio	67
4.4 Risk Ratios	68

4.4.1	Liquidity Risk Ratio	68
4.4.2	Credit Risk Ratio	69
4.5	Statistical Tools	71
4.5.1	Coefficient of Correlation between Deposit and Loan and Advance	71
4.5.2	Coefficient of Correlation between Deposit and Total Investment	72
4.6	Major Findings	73

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

5.1	Summary	75
5.2	Conclusions	76
5.3	Recommendations	78

### **Bibliography**

### **Annex**

## LIST OF TABLE

Table 4.1:	Cash and Bank Balance to Total Deposit	53
Table 4.2:	Cash and Bank Balance to Current Assets Ratio	54
Table 4.3:	Investment on Government Securities to Current Assets Ratio	55
Table 4.4:	Loan and Advances to Total Deposit Ratio	56
Table 4.5:	Total Investment to Total Deposit Ratio	58
Table 4.6:	Loan and Advances to Total Working Fund Ratio	59
Table 4.7:	Investment on Government Securities to Total Working Fund Ratio	60
Table 4.8:	Investment on Shares and Debentures to Total Working Fund Ratio	61
Table 4.9:	Return on Loan and Advances Ratio	63
Table 4.10:	Return on Total Working Fund Ratio	64
Table 4.11:	Total Interest Earned to Total Working Fund Ratio	66
Table 4.12:	Total Interest paid to Total Working Fund Ratio	67
Table 4.13:	Liquidity Risk Ratio	68
Table 4.14:	Credit Risk Ratio	70
Table 4.15:	Correlation Coefficient between Deposit and Loan and Advance	71
Table 4.16:	Correlation Coefficient between Deposit and Total Investment	72

## LIST OF FIGURE

Figure 4.1: Cash and Bank Balance to Total Deposit	53
Figure 4.2: Cash and Bank Balance to Current Assets Ratio	54
Figure 4.3: Investment on Government Securities to Current Assets Ratio	56
Figure 4.4: Loan and Advances to Total Deposit Ratio	57
Figure 4.5: Total Investment to Total Deposit Ratio	58
Figure 4.6: Loan and Advances to Total Working Fund Ratio	60
Figure 4.7: Investment on Government Securities to Total Working Fund Ratio	61
Figure 4.8: Investment on Shares and Debentures to Total Working Fund Ratio	62
Figure 4.9: Return on Loan and Advances Ratio	64
Figure 4.10: Return on Total Working Fund Ratio	65
Figure 4.11: Total Interest Earned to Total Working Fund Ratio	66
Figure 4.12: Total Interest paid to Total Working Fund Ratio	68
Figure 4.13: Liquidity Risk Ratio	69
Figure 4.14: Credit Risk Ratio	71

## ABBREVIATIONS

A.M	: Arithmetic Mean
C.V	: Coefficient of Variation
CA	: Chartered Accounting
CRR	: Cash Reserve Ratio
FDI	: Foreign Domestic Investment
FINGOs	: Financial Intermediary
HBL	: Himalayan Bank Limited
JVBs	: Joint Venture Banks
L/C	: Letter of Credit
Ltd.	: Limited
M.B.S.	: Master of Business Studies
NBBL	: Nepal Bangladesh Bank Limited
NBL	: Nabil Bank Limited
NEPSE	: Nepal Stock Exchange
NGBL	: Nepal Grindlays Bank Limited
NRB	: Nepal Rastra Bank
P.E	: Probable Error
S.D	: Standard Deviation
SBL	: Siddhartha Bank Limited
SCBNL	: Standard Chartered Bank Nepal Limited
SEBON	: Securities Board of Nepal
TWF	: Total Working Fund
USA	: United Stated of America