

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

The economic condition of Nepal is characterized by the declining interest rates, high inflation, and slow growth in per capita income, low income, low savings and low investment, along with very low growth rate. The players in the financial system or borrowers, depositors and intermediaries, hence, have no significant say in the financial aspect of the economy due to small fund of deposit, loan requirement and capital. In this context, the financial companies have provided the perfect match for them.

Financial companies are perhaps the fastest growing institution in Nepal. The chief reason behind this may be its flexibility and benefit to adjust the demand of the borrowers and the depositors of the growing economy of the country. The financial companies are authorized to accept deposits under several schemes and to mobilize the funds in wide range of productive sectors like agricultural, industrial, trade and commerce. They perform the varying roles of providing specialized services to their clients, offering higher rate of interest, employment and revenue generation.

The history of modern banking started after the establishment of Nepal Bank Ltd., the first bank in the country in 1937 AD. The Nepalese economy at that time was highly influenced by the Indian market. Indian currencies were widely in circulation and Nepalese economy was predominantly non-monetized. Thus, only the Nepal Bank Ltd. was not able to provide services all over the country. With the political freedom in 1951, a planned development process started in the country. This led to the formulation of first development plan in 1956. At the same time, it was felt that there is a need of central bank to regulate the money supply and help banking development in the country. Accordingly, Nepal Rastra Bank, the central bank of the country was established in 1956 under the Nepal Rastra Bank Act. 1955.

After the restoration of democracy, Nepal has adopted more liberal and open economic policies. Reforms introduced in the financial sector in the early 1980s

have led to some significant improvements including interest rate liberalization, removal of entry restriction for establishing the commercial banks and insurance companies in the private sector, and the enactment of Finance Company Act, 1985.

The thrust of economic liberalization is the greater role assigned to private sector in economic activities. Until 1984, there were only two governments owned commercial banks in operation, but after initiation of liberal economic policies, a provision was made for the establishment of commercial banks in foreign collaboration. Punjab National Bank (PNB), our joint venture partner (holding 20% equity) is the largest nationalized bank in India having presence virtually in all important centers. From last few years Banks, Development Banks and Finance companies has grown up in rapid way, we can view it clearly with table 1.1.

Table 1.1

Rapid Growth of Financial Sector in Nepal

year/ sector	1970/71	1980/81	1990/91	2000/01	2008/09	2016/17
Commercial Bank	2	2	5	13	25	28
Development Bank	2	2	2	7	58	57
Finance Company	0	0	0	47	78	84

Bank refers to a financial institution that is engaged in the business of financial services, which could be in the form of handling cash, handling cash instruments, understanding financial commitments and providing finance related consultancy services. The function of banks are not only to accept deposits and grant loans but they also includes wide range of services to the different strata of society, to facilitate the growth of trade, commerce, industry and agriculture of the national economy and in the absence and insufficiency of banking and financial facilities, the growth of the economic development becomes slow. Thus, the banks play an important role in the economic development of a country.

Commercial banks are financial institutions which deal in accepting deposits from persons and institutions, providing interest, formulating capitals and granting loans against securities that help to remove the deficiency of capital. They contribute significantly in the formation and mobilization of internal capital and developmental effort. They also furnish necessary working capital according to the requirements for trade, commerce, industry and even to agriculture sectors. They also perform agency function to make life easier and play an important role in credit creation. Besides, they also provide technical and administrative assistance to industries, traders and business enterprises. The main objective of the commercial banks is to earn reasonable profit as reward for their service through proper mobilization of idle resources collecting them from different scattered sources. They help to reduce the probability of inflations by increasing the interest rate while economy is in boom period and reduce the interest rate so that investors are interested for investment in case of depression period.

More specifically, they collect required capital through issue of different types of securities, specially shares and debentures.

According to Nepal Commercial Bank Act 1974 A.D., "A commercial Bank is one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for cooperation, agriculture, industries or for such specific purpose."

The origin of modern banking started with the establishment of the Bank of Venice as the first commercial bank of the world in 1157. In perspective of Nepal, Nepal Bank Limited was established as the first commercial bank in 1937 A.D. At present there are 28 Commercial banks operating in the country.

Consumer lending is an important service provided by commercial banks. Auto-loan is one of the most popular categories of consumer/retail lending which involves less risk, high return and high competition in the Nepalese market scenario.

1.1.1 Competitive Environment of Auto-loan

Despite the odds, the portfolio has grown considerably in the last 2-3 years. The auto finance market has grown extremely competitive over the past 2 years. Competition

is expected to increase with new/recently established Banks offering aggressive marketable terms. Further given the stagnancy in the corporate sector, the other more established Banks have also shifted their focus to consumer finance intensifying the competition in the market.

The major banks, which are aggressively marketing the product auto-loan viz. Everest Bank Ltd., Laxmi Bank Ltd., Nepal Bangladesh Bank Ltd. etc., extend loans up to seven years and five years for private and commercial vehicle respectively. Similarly NBBL, in order to cope with the high competition, has recently extended the loan tenure up to 5 years for private use. The longer tenure has been a sensitive issue with the customers and auto dealers as this result in lower EMI (Equal Monthly Installment), which in turn makes such loans affordable. Thus the competition is very high in the market.

Thus, among the several commercial banks operating in Nepal, this study focuses on prevailing auto-loan practices and policies of two commercial banks, namely Nepal Bangladesh Bank Ltd. and EVEREST Bank Ltd.

1.1.2 Auto-Loan in Everest Bank

EVEREST Bank, the first joint venture bank in Nepal was established in the year 1984 AD. Since its establishment, the bank provided loans for cars and vehicles against certain collateral, such as land and house. But the scheme of auto loan was actually implemented by the bank only in the year 2004 AD. Since then, the bank has been successfully providing auto loans for commercial, private and official purpose. As per the current year's data provided by the bank, it has financed more than 2000 vehicles, such as micro vans, taxis, etc.

They provide finance for purchase of vehicles - be it for personal or commercial purpose. The features of auto finance scheme are shown in Table 1.2.

Table 1.2

Features of Auto Finance Scheme of Everest Bank Ltd.

Products	Loan Amount	Loan Tenor
Private	3 - 60 lakhs	Upto 5 years to 7 years
Commercial	3 - 60 lakhs	Upto 4 years
Used	3 - 60 lakhs	Maximum 4 years
Refinancing	3 - 25 lakhs	Age of the vehicle should not exceed maximum 7yrs. at the time of loan maturity.

Other Features:

- **Processing fee:** 1% of the loan amount payable upfront.
- **Prepayment:** Allowed after 1 year only with prepayment fee as 1% of the amount prepaid.
- **Age Criteria:** from 21 years to 65 years at loan maturity.

In order to simplify and specialize on loan, Everest Bank has opened a separate branch in Pulchowk, Lalitpur district. Outside the capital, the bank has extended auto loan business in eight different places, which are Biratnagar, Birgunj, Bhairahwa, Butwal, Nepalgunj, Pokhara, Dharan and Itahari.

Its gross loan for FY 012/13 is Rs 15,903,023,765 and for FY 014/15 is Rs 21,759,460,334, this shows us that the increments in loan is Rs 5,856,436,570 i.e., 36.83%. From this data we can easily say that EVEREST Bank is increasing its area rapidly.

1.1.3 Auto-loan in Nepal Bangladesh Bank Ltd.

The Bank has been providing finance for the purchase of new (private use /commercial use) and used (private) vehicles. The portfolio performance has been very good.

They offer

- Up to 80% for new vehicle.
- Up to 50% for second hand cars.

- Interest rate at 10% per annum.
- Processing fee of 1% flat front end on the loan amount.
- Tenure up to 5 years.
- Any brand of passenger car for private use.
- Fast track processing.

Eligibility

- Reliable income source supported by documentary evidence..
- Adequate net disposable income to meet monthly installments.
- Self employed Individuals.
- If expatriate, duly recommended by employer or the company s/he works for.

1.2 Statement of the Problem

From the late 1980's or especially from the beginning of 1990's the concept of liberalization and globalization was adopted to achieve rapid economic growth throughout the world. In this respect, to get the maximum benefit from such measures, Nepal has been adjusting its policies from 7th plan onwards, but it could accomplish full gear only after the completion of 8th plan. After the adoption of liberalized and open market policy, the Nepalese Financial Institutions have boomed in the economy since last few years.

With the rapid growth in the banking sector, consumer lending has increased and become more and more competitive in the market. Consumer lending, specifically housing loan and auto-loan has increased rapidly due to the lesser risk and higher profit involved.

Now a day the demand for auto loan is increasing not just due to the increase in the living standard of the people, but also due to the easy lending process, lesser EMI, longer tenure and more competitiveness and better service. The open market system has made the competition more rigorous and specifically due to less risk and more return, financial institutions are aggressively marketing the product auto-loan.

NBBL and EBL are two of the largest commercial banks which are ranked among the highest positions in the NEPSE index. In the consumer lending specifically in auto loan, EBL and NBBL are two of the top competitors in the Nepalese auto-loan market.

The major banks, which are aggressively marketing the product auto-loan viz. Everest Bank Ltd., Nepal Bangladesh Bank Ltd. etc., extend loans up to seven years and five years for private and commercial vehicle respectively. Similarly NBBL, in order to cope with the high competition, has recently extended the loan tenure up to 5 year for private and commercial. The longer tenor has been a sensitive issue with the customers and auto dealers as this result in lower EMI (Equal Monthly Installment), which in turn makes such loans affordable. Thus the competition is very high in the market.

Moreover, the interest rates charged on auto-loans are not stable. It is negotiable between the bank and its customers. Thus interest rates fluctuate from customer to customer depending on the bargaining power of the dealers of the vehicle.

Besides these, the major problem that banks are facing is the events of default from its customers. In order to minimize such defaults, many banks have formed collection unit but the recovery seems to be minimum. Thus in spite of the competitive environment of the auto-loan market, banks should undertake measures to minimize risk of default.

The variable of the primary interest in this research is the dependent variable of the automobile loan market. Five independent variables are used in an attempt to explain the variance in auto loan market environment. These five variables are: Interest and other charges, loan tenure, equal monthly installments (EMI), down payments and moratorium period (only for commercial vehicles). Interest rate is the most important variable for determining the position of the bank providing auto-loan. It is the most visible and more effecting factor while making choice of banks for auto-loan.

Loan tenure is another important variable that affects the competitiveness of banks providing auto-loan. It refers to the term or the time period for which loan is

provided. So longer the loan tenure lesser will be the equal monthly installment (EMI) to be paid to the bank. EMI is the monthly amount of loan to be repaid by the borrower. It is agreed with the customer before disbursement of loan. It generally starts after completion of moratorium period or subsequent month of the drawdown, whichever is earlier. Lesser EMI with longer loan tenure makes the auto loan scheme more attractive to the customers.

The amount of down payments to be made to the bank after the purchase of vehicles through loan also affects the auto loan market. If down payments are lesser, it is more likely for the people to purchase vehicles through loans.

Another variable is the moratorium period. It is the time between disbursement and start date of repayment of loan. Moratorium period is decided at the time of approval of the loan. In case of auto-loan, moratorium period is only given for commercial vehicles like Trucks and Lorries which needs time to build the body as only chassis are imported.

1.3 Research Questions

- What is the impact in the interest rates in auto-loan due to the tie up of banks with auto dealers?
- What are the competitive advantages of individual banks?
- Which bank is more competitive from the customers' view point?
- How does loan tenure affect the EMI?
- How moratorium period affects the interest rates in auto loan?

1.4 Objectives of the Study

The main objective of this study is to examine Credit Exposure of Joint Venture Commercial Banks on Auto Loan. The specific objectives are as follows:

- To examine the present situation of Auto Loan made by commercial banks under study.
- To examine the comparative interest rates and its affect in the auto-loan market.

- To evaluate the competitive factors of the banks in the auto-loan market.

1.5 Significance of the Study

Research is systematic investigation and study of facts to locate and analyze the problem and formulate the corrective steps to solve that problem. This statement describes the importance of research.

This study is the supporting study about Auto Loan trend in the market. Now a day Auto Loan market is getting very competitive, so banks are fully focusing to the consumers needs and requirement therefore they are offering new schemes and services to the customers. It has been very important these days to study the customers in the market. However the banks are achieving its goals to analyze the satisfaction of customers' needs and demand. Thus, this study shows the current market of Auto Loan, its competitive factors and auto loan procedure.

Therefore this topic is chosen very likely to help different parties like business students who want to know about Auto Loan, the bank involved in Auto Loan business to modify their loan service and in formulating strategy for smooth operation of loan and the government who has to make different policies for regulating the business.

1.6 Limitation of the study

Following are some of the limitations that could affect the study.

- The study is conducted among the two Banks only, thus, it will not reveal the real status of Auto Loan market neither represents the total banking system.
- Statistical tools are used for analysis. Hence, the drawbacks and weakness of those tools may affect the outcome of the study.

1.7 Organization of the Study

To facilitate the reader of this report, this research paper has been divided into the following five chapters.

Chapter I Introduction

The first chapter includes the background of the study, statement of the problem, research questions, objectives of the study, importance of the study, limitation of the study and organization of the study.

Chapter II Review of the literature

The second chapter includes the review of different issues, previous writing and studies relevant to auto-loan in Nepal which is the focus area of the study.

Chapter III Research Methodology

The third chapter includes the research design, sources of data, data processing procedures, population and sampling procedure, data analysis and all the methods of research.

Chapter IV Presentation and Analysis of Data

The fourth chapter includes the presentation and analysis of primary data, secondary data and the statistical tools that has been used for the analysis. Having acquired all the vital and additional information.

Chapter V Summary, Conclusions and Recommendation

The final chapter consisting of the Summary of the findings, the Conclusions and the recommendation as per findings and conclusion.

CHAPTER II

REVIEW OF LITERATURE

This research study aims to analyze the auto-loan scheme, practices and competitiveness of two commercial banks viz. Nepal Bangladesh Bank Limited and Everest Bank Limited. For this purpose, review of related literatures in the concerned area is required that will give the researcher clear concept, ideas and opinions. Hence, this chapter emphasizes on the literatures which were concerned in this connection and therefore, extracts the views and concepts of various authors and intellectuals about the auto-loan scenario in Nepalese context from different books, web sites, journals, research works, and previous thesis related to the subject. Moreover, rules regarding auto-loan are reviewed and attempted to present them properly.

2.1 Conceptual Framework

2.1.1 Commercial Banking

Bank is financial intermediary accepting deposits and granting loans. It offers the widest menu of products. In fact a modern bank performs such a variety of function that it is difficult to give a precise and general definition of bank. Because of this reason, the different economists give different definition of the bank.

C.R. Crowther, "A Bank collects money from those who have it to spare or who are saving it out of their incomes and it lends this money to those who require it."

Kent, "A Bank is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to other for expenditure."

According to Nepal Commercial Bank Act 2031 B.S., "A commercial Bank is one which exchanges money, deposits money, accepts deposits, grants loans and performs commercial banking functions and which is not a bank meant for cooperation, agriculture, industries or for such specific purpose."

2.1.2 Concept of Banking Products

In Nepal, Commercial banks are guided and supervised by Nepal Rastra Bank as the central bank of the country. Nepalese Commercial Banks use to carry out their operations according to Commercial Bank Act 2031 BS before promulgation of the Bank and financial Institution Ordinance 2060 on 21st Magh 2060. Nepal Rastra Bank supervises and regulates the commercial banks on the basis of the directive issued by it. Supervision and Regulation mainly focuses on following:

- Capital Structure
- Deposits
- Minimum Liquidity Requirement
- Loan and Advances

The services and product provided by bank have been expanded to many areas as human wants and need and as development of technology. Product and Services provided by NBBL and EBL can be shown as on Figure 2.1 and Figure 2.2.

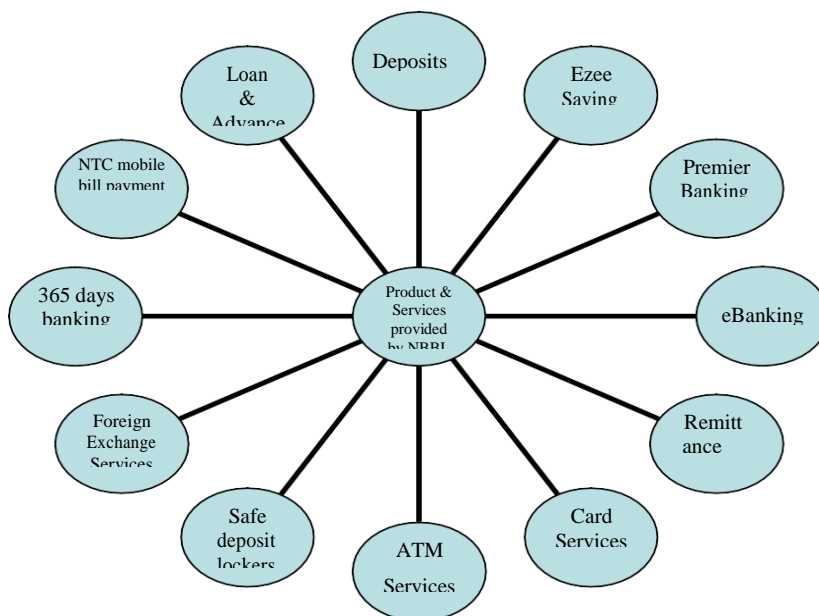


Figure No. 2.1

Product and Services Provided by NBBL

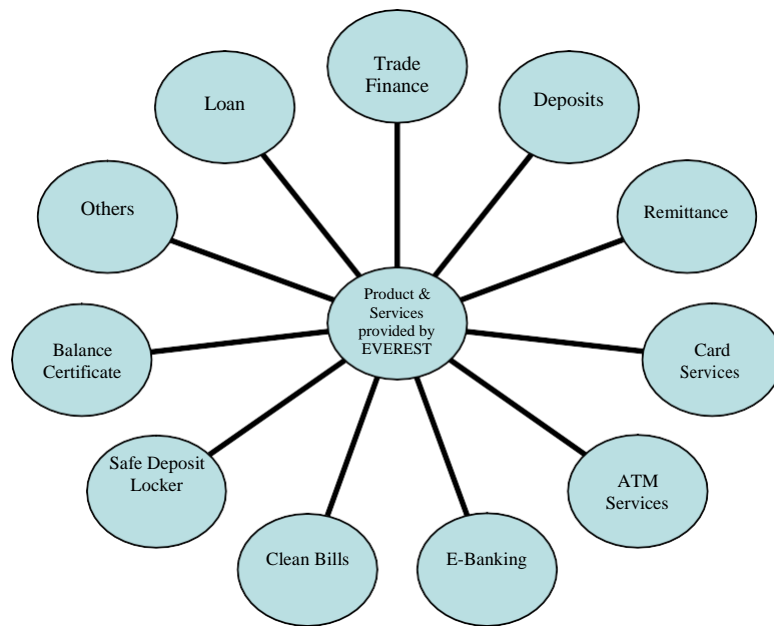


Figure No. 2.2

Product and Services Provided by EBL

“A product is anything that satisfies a need or want of customers. Product can be goods, services, ideas, experiences, events, persons, place, properties, organization and information. In the broader sense, a product is anything offered to satisfy a want or need.” (Philip Kotler, Marketing management).

The two essential functions of commercial banks may best be summarized as the borrowing and lending of money. The borrow money by taking all kinds of deposits. Then it provides money to those who are in need of it by granting overdrafts to fixed loan or by discounting bills of exchange or promissory notes. Thus, the primary function of a commercial banker is that of a broker and a dealer in money. By discharging this function efficiently, a commercial bank renders a valuable service to the community by increasing the productive capacity of the country and thereby accelerating the pace of economic development.

Deposits:

As the primary function banks collect funds from general public in the form of deposits paying certain stipulated interest. Banks collects mainly three type of

deposit viz. fixed deposit, saving deposit and current deposit. Even deposit collection is the main function of banks to operate its other regular function there is certain limitations in deposit collection. In Nepal, NRB as the central bank has issued directives and regarding those directives banks had to collect deposits. According to directives issued by NRB, Nepalese commercial banks can collect 20 times of their core capital as deposit.

Lending:

Lending as the function of bank is the cause of the origin of the banking. In the past, commercial banks used to finance for short-term, however, banks lending operation have changed considerably over the years. They have started advancing loan to industrial, agricultural and priority sectors too. In the addition to deposit services and financing activities, banks provide some additional services to their customers. Along with the change in time the primary function of lending is change to other portfolios like credit cards, merchant banking etc.

“The term loan means the disbursement of amount; direct or indirect guarantee and right to recover the loan against its interest or other charges; refinancing against the collateral given for loan or investment; renew or restructure of loan; and guarantee issued or commitment made for clearance of loan. It also denotes any kind of credit.” (Bank and Financial Institution’s Act; 2063BS:5)

“Lending is the essence of commercial banking, and consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management. Well conceived lending policies and careful lending practices are essential if a bank is to perform its credit creating function effectively and minimize the risk inherent in any extension of credit” (Crosse, 1963:87)

This definition emphasizes the need of sound lending policies for effective lending to minimize the risk involved, for this management must be careful and well knowledge. Lending has its different form. It can be divided into fund based and non-fund based Lending. Cash Credit, Overdrafts, Bills discounting, Term loan, Export packing credit, Project finance, consortium Finance, Loan Syndication,

Bridge Financing etc come under fund based Lending. Similarly, guarantees and bill co-acceptance facility etc. falls under the category of non-fund based Lending.

A loan is a type of debt. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower. The borrower initially receives an amount of money from the lender, which they pay back, usually but not always in regular installments, to the lender. This service is generally provided at a cost, referred to as interest on the debt. Acting as a provider of loans is one of the principal task for financial institutions. For banks loans are generally funded by deposits. For other institutions issuing of debt contracts, such as bonds is a typical source of funding. Other types of debt include mortgages, credit card debt, bonds, and lines of credit.

Auto-loan is a secured lending provided by various banking & financial organization facing a tough competition in the Nepali Market. It is a kind of consumer loan and falls under retail lending. Not long has been the product Auto-loan launched in market in Nepal, yet it has been successful to grab the targeted customers offering an affordable interest rates, easy EMI's and indeed an attractive customer services.

The Company may extend loans for purchase of brand new/second-hand vehicles for private/office/commercial use and for refinance of auto-loan availed from another bank/finance company.

The banks facilitate their customers for auto-loan in the EMI (Equal Monthly Installment) basis. Before the loan is provided the bank looks at the different aspect of their customers like:

- The payback period of the loan.
- Customers' regular monthly income source.
- The model & the type of the vehicles which is to be purchased.
- The total cost of the vehicles.
- The loan amount requested.

Besides the above points banks also inspect whether the vehicle is used for private or commercial use. The interest rate for the private use vehicles and commercial use

vehicles are different. The interest rate of banks depends upon their policies.

Usually banks look for the regular income source of any customer before providing them private vehicle loan. For the commercial vehicle loan, the bank goes through the firms' balance sheet and profit & loss accounts, as it provides complete financial back ground of any unit.

2.2. Types of Auto-Loan

Nepalese Financial institutions offer various types of auto-loan to its customer according to their demand and need. The major types of auto-loan are:

I. Dealer Purchase: New

This type of loan refers to any new vehicle being sold by a dealership. Borrower may purchase any type of automobile he'd like, including light trucks and SUVs. Borrower should specify a loan amount on the application which he believes will be more than enough to cover his vehicle purchase, since the actual loan amount will only be the amount for which the borrower writes the check. Payments are monthly, and generally the borrower or the customer can even choose the most convenient due date for the payments.

For a new vehicle purchase, borrower may include any tax, title, license, registration or lien filing fees, any credit insurance or extended warranty/service contracts, or any other costs or fees normally associated with the purchase of a new vehicle from a dealer.

The actual loan amount will be equal to the total sales price of the vehicle purchase minus the value of any trade-in and/or down payment the borrower chooses to make. If the borrower specifies a new vehicle purchase on his application, but later decides to purchase a used vehicle from a dealer, a Blank Cheque can still be used. However, the interest rate may differ for new and used vehicles, so the rate would be adjusted to reflect the applicable used vehicle interest rate.

II. Dealer Purchase: Used

This type of loan refers to any used vehicle being sold by a dealership. Borrower may purchase any type of automobile he'd like, including light trucks and SUVs.

Loan amount should be specified on the application. The actual loan amount of the borrower will only be the amount that he writes the cheque for payment. Payments are monthly and the most convenient due date for payments can be chosen by the borrower.

For a used vehicle purchase from a dealer, borrower may include any tax, title, license, registration or lien filing fees, any credit insurance or extended warranty/service contracts, or any other costs or fees normally associated with the purchase of a vehicle from a dealer.

The actual loan amount will be equal to the total sales price of the borrower's vehicle purchase minus the value of any trade-in and/or down payment he chooses to make.

III. Person-to-Person: Used

This type of loan refers to a vehicle that is being sold by a "private party." Customer/borrower can purchase any kind of used automobile. A loan amount should be specified on the application, since the actual loan amount will only be the amount the borrower writes the check for. Payments are monthly, and the borrower may even choose the most convenient due date for the payments.

Generally banks may offer their customers the flexibility to purchase vehicle from an individual that currently has their vehicle financed, also referred to as a aliened vehicle, or from an individual that owns their vehicle outright, which is considered lien-free. In either case, banks require the seller(s) to be the registered owner(s) of the vehicle. For aliened vehicle person-to-person purchases, certain documents are required. The charge for this is to be paid by the buyer or seller, as determined by both parties.

2.3 General Guidelines for Auto-Loan

- When financing purchase of second-hand vehicle, the vehicle shall not be more than 5 years old and its current market value must be independently assessed and confirmed in writing by a professional valuator approved by the Company.

- When financing purchase of commercial vehicles, if the principal source of repayment depends upon the expected income from the vehicle being financed, the Company's credit decision should also take into consideration the borrower's other income source(s).
- Financing will be restricted to maximum of a) 80 percent of the invoice price in case of brand new vehicles, b) 50 percent of the value assessed by the Company's approved valuator in case of used vehicles and c) up to the loan outstanding with another bank/finance company in case of refinancing. In case of commercial vehicle, e.g., bus, truck, tanker, etc., the financing ratio can be derived by also adding the cost of fabricating the body.
- Financing of motor-cycles may be considered only on exceptional basis (customer relationship, opportunity for volume business, etc.) provided the vehicle is brand new.
- Financing in excess of the stated caps may be considered if the borrower provides Fixed Deposit and/or HMG bonds as security covering the balance 20 percent and/or in exceptional cases as may be approved by the credit approving authority.
- The feasibility of the repayment program is to be demonstrated by a detailed income/cash flow assessment/projection of the borrower.
- Repayment amount (including interest) should preferably not exceed 75 percent of projected net income (before servicing the proposed loan) of the borrower.
- The Loan Agreement is to include affirmative and/or negative covenants to provide "trigger" to accelerate the loan repayment prior to default of interest and principal payments if the borrower's financial position should deteriorate significantly.

Security Documents for Auto-loan

Registration of the vehicle being financed in the name of the company.

- Personal guarantee of the borrower / others as may be applicable.

- Demand Promissory Note
- Loan Deed
- Vehicle Loan Agreement
- Insurance Policy of the vehicle (Insurance done in the name of Bank)The vehicle being financed must be duly insured under a comprehensive vehicle insurance policy, covering the risks of accident (including third party), fire, theft, SRCC, terrorism, etc, as deemed necessary by the company.
- Any other tangible security as may be available and acceptable to the company.

Loan Period/Repayment

- Maximum period of 5 years for new vehicles and 3 years for old ones.
- Repayment of principal to be made on an equated monthly installment basis or as may be agreed with the borrower, commencing from the subsequent month of loan disbursal.
- Moratorium of maximum 1 month may be considered in case of commercial vehicles where fabrication of body is required.
- Interest to be computed on reducing balance and preferable recovered each month (but at least every quarter). Interest has to be paid during moratorium period as well.

Transaction Size

- Minimum loan amount: Rs. 200,000/- (Exception: motorcycle financing for which loan amount can be lesser).
- Maximum loan size capped at Rs. 5,000,000/-
- Exceptions could be considered at the discretion of the Risk Management Committee.

Pricing

- Interest rates shall be determined and periodically reviewed by the Company

in line with competition and as may be warranted to retain/attract business.

- A management fee of 1 percent of the loan amount plus a service fee of 0.5 percent to 1 percent of the loan amount is levied upfront on all approved applications.

Waiver

- Any departure from the norms laid down above would need to be recorded and duly approved under a “Waiver section” in the credit Memo.

Terms and Condition

- The borrower has to submit to the Bank certified true copies of annual accounts within six months of the close of the financial period to which they relate.
- The car has to be insured in the name of respective banks from where the borrower is taking the loan, as the first beneficiary, prior to the disbursement of the facilities.
- You are required to submit to the Bank, the renewed insurance policy at least seven days prior to the maturity of the same, failing which the bank will renew the policy on your behalf under advice to you and necessary charges shall be debited to your account.
- The Bank reserves the right to cancel the above-mentioned facilities and to call on first demand, at its discretion, all amounts outstanding upon 30 days notice.
- Any material adverse changes in business conditions will cause the amount due from you to be immediately repayable.
- The Bank will carry out inspection of hypothecated/-mortgaged assets from time to time with or without prior arrangement, as the Bank considers necessary.
- If any of the terms and conditions is violated, the facilities will be in default. In such a case, will be charged as per our Bank’s rules and regulations.

2.4 Auto-loan Disbursement Procedures

I. Pre-disbursement Activities

- 1) Credit Unit receives approved Limit Application from the RM's.
- 2) The concerned person in the unit checks for the following:
 - Has the loan been approved by the appropriate authority.
 - Does the loan amount fall under the credit approval discretion of the authority?
 - The level of approval (I or II)
 - EMI amount, its start date, end date, interest rate, etc.
 - Moratorium period given to the customer (where applicable for commercial vehicles)
 - Security details

II. Security Documents for Auto-loan

The proposed vehicle will be registered in the name of the bank. Vehicle Registration: After loan is approved, customer acknowledges the Sanction Letter then the bank's staff arranges to transfer the vehicle in the bank name from the dealer/customer. For this bank has to prepare necessary documents and letters with the help of Credit Administration Department and instructs the office of Transportation Management to transfer the vehicle in the banks name till the loan remains outstanding.

- a) Personal Guarantee of the buyer/guarantor. Guarantor's acknowledgement is obtained where applicable.
- b) Comprehensive insurance cover with bank as beneficiary (insurance cover for Riot Strike Terrorism (RST), Fire and other Malicious Damages)
- c) Copy of the Blue book (Bank as the owner of the vehicle)

- d) Copy of the citizenship
- e) Letter of guarantee (where necessary)

In case of Pvt. Co. (in addition to the above documents)

- Attested copy of company registration certificate
- Attested copy Memorandum/article of association
- Attested copy of income tax/VAT registration certificate
- Attested copy of board resolution

III. Events of Default

In case of the happening of any of the following events (hereinafter called “Events of Default” (Namely)

- Any statement, representation or warranty made in the agreement or any correspondence or application for the loan, or on any financial statement, projections or data furnished by the borrower in connection with their application for the loan, proving to be untrue, false or misleading in any material respect.
- Any material facts or information pertaining to the borrower’s corporate status, legal existence or entity or to their financial condition, commitment or obligation, or their expansion program(s) or capital expenditures, not being specifically made known to the Bank or being suppressed from the knowledge of the Bank.
- If the borrower defaults in the observance and performance of any covenants and/or conditions on their part to be observed or performed as contained in the letter, or in any documents creating charges to secure repayment of the loan amount and interest, costs, charges and expenses thereon or relating thereto.
- If the borrower takes or permit to be taken any proceedings whereby the property thereby agreed to be charged or any part thereof shall or may be assigned to a receiver/liquidator or if a receiver/liquidator shall be appointed

by the borrower or by any legal authority.

- If distress or execution is levied or issued by an order of any legal authority against any part of the borrower's property.
- If the borrower cease or decide to cease to carry on their business or substantially the whole of their business or dispose of the whole or any substantial part of their undertaking or all their assets except in the ordinary course or business.
- If they are unable to pay their debts.
- If all or any substantial part of their assets or business shall be condemned, seized or appropriated or any action be taken by any government or other legal authority or other party or any persons, establishment or institution for their winding up or for the suspension of their operations.

Then and in every such event or any time thereafter the whole or the balance of the outstanding loan together with interest and all other sums due under the terms of the letter shall become due and immediately payable by the borrower to the Bank without presentment, demand, protest or notice of any kind all of which are expressly waived by the borrower. The Bank shall further in that event, be entitled to charge interest at the rate-mentioned therein above or such other rate of interest as it may consider in its absolute discretion to be appropriate from the date of default. The Bank shall also in that event become entitled to enforce the security and in particular shall be entitled to take possession through its officers, agents and or any other persons of the security and to put the same to sell and to apply the sale proceeds thereof towards the reduction of their loan liability including interest, costs, charges and expenses.

The borrower should submit their certified true copy of resolution of their management committee authorizing acceptance of the facilities, execution of the securities specified and nominate a person/ persons to sign the attached duplicate of the letter agreeing to the terms and conditions and the securities specified and nominating those authorized to operate the facilities on their behalf.

IV. Deficiencies in Securing Documents

Any documents not complying with the circulars or Bank's requirement are to be referred back to the customer for further action or referral to the appropriate authority. Waivers of deficiencies require approval from the approving authority. CSO advise these deficiencies by phone to the customer and wait for action for three days, if no feedback is received.

v) Prepayment of loan

Loans can be pre-paid only upon approval from Credit approval Authority. RMs/ARMs will forward approve pre-payment request from customer to the approving authority that will process pre-payment in following manner;

- Bank checks outstanding principal/ accrued interest amount
- will check balance in customer's account
- Will debit customer's account by the account by the amount of principle, debit interest accrued, and pre-payment charges (if any).
- The pre-payment transaction will be authorized appropriate authority.
- Will request credit Administration to release security documents to customer?

VI) Collection Unit

In order to cope up with the growth of the customer portfolio and to accept higher risk in the competitive market, commercial banks has separate collection unit.

Goals of the collection process

- Maintaining relationship
- Protecting the assets

2.5 General Marketing Strategies of Banking Organizations to secure Auto-loan business

Since banking organizations in Nepal are growing and so is consumer lending, the free market scenario of automobile lending is very competitive. In order to procure the auto lending business in such a competitive market, the general marketing strategies followed by banking organizations are:

- In order to grow in the auto loan market banks may focus on sales through deployment of direct sales personnel at Dealers' outlet and further enhancing sales focus through deployment of increased resources in the (target) market.
- Placement of Sales people to capture business on the spot at Dealers' outlets/showroom
- Financing of Used vehicles may also be given a renewed thrust as this segment is relatively less competitive
- A competitive bank might follow the strategy of revision in product terms e.g. extension in loan tenure, increase in per borrower cap being proposed.
- Banks may revisit target market criteria to expand the scope to include more customer segments.
- The banks might maintain the portfolio quality through various strategies such as facilitate growth of "good" portfolio by identifying profitable segments
- Assign Product specific underwriting officer
- Banks might follow the collection strategy such as introduce statistical capacity planning and re-engineering post administrative process
- Banks may also focus on its technological aspect such as enhancing MIS capabilities to track key performance indicators in as much granular form as possible.
- Placement of suitable and adequate resources for business development
- Strengthen credit analytics

2.6 Review of Articles

2.6.1 Banks, Finance firms slug it out

The article was published by The Himalayan Times 'THT Wheels Auto shows 2005' (29th October, 2005 Saturday.) on its wheel segment. This article is relevant to the study as it highlights the tough competition among financial institutions (compared banks and finance companies) in the auto-loan business and also gives

information that has been adapting by different banks while providing the auto-loan.

Banks and finance companies have been involved in an internecine battle in the auto financial market, with ever-sliding interest rates, constant innovation and flexible schemes.

The banks, flush with cash deposits and no avenue for large investments, are emerging clear winners in this battle. The much smaller financial companies are being slowly forced to look for greener pastures for survival.

Aarti Rana, of Everest Bank Ltd, said that the bank started financing individual cars since 2001, and they are into commercial vehicles also. The bank's retail lending stands at more than 20 percent of the total loans, according to her. Everest bank participated at The Himalayan times Auto Show, which was held from October 29 to October 30. During the show, the bank gave 50 percent discounts on processing fees of the total loan, the bank charges one percent processing fees. The bank's repayment period is five years and interest rates of the vehicles ranges from seven percent to nine percent of the total lending, the bank has invested 25 percent on auto, said Rana. Customers have to make a down payment of at least 10 to 20 percent while the bank finances up to 90 percent of the car loans. The bank has already invested in more than 1,000 individual cars.

Keepa Khaling, of Standard Chartered Bank Nepal Ltd, while talking to The Himalayan Times said, "The bank has been successful in auto-finance sector by creating a friendly environment for auto-financing that has enriched our customer base. Standard Chartered has invested in over 2,500 vehicles including both commercial and private ones. Khaling said that the response from the customers is going up by the day, due to our quality service.

Raveena Joshi, of Everest Bank, expressed her happiness that despite just two years in the auto-financing segment, the bank has achieved a growth rate of over 108 percent in fiscal 2061-62 compared to the previous fiscal. The bank has given auto-loans to professionals and other individuals at a seven percent interest rate, said Joshi. However, Everest is not increasing its investment on commercial vehicles despite an interest rate of 9.5 percent. It has to be selective due to the impact of

insurgency. Joshi said that the bank has a very good scheme for consumers. it provides up to 90 percent of vehicle's cost ,while customers have to invest only 10 percent .What is important is that a customer's income should be convincing, she said. While talking about customers, she said that they are getting more aware and intelligent.

Tej Bahadur Chand, of NIC Bank, said that auto-financing market has been doing well in recent years, and thanks to schemes started by the bank. NIC is involved in auto-finance for the last four years and its growth rate in the sector stands at six percent. He said, the bank has a flexible policy in auto financing and the provision of Equal Monthly Installment (EMI) is doing well. NIC has invested in over 300 vehicles that includes commercial and personal ones, he said. The bank has already started investing up to two million rupees per vehicle. Recovery from such loans is also good, he said. It charges a minimum of eight per cent interest rate on personal vehicles and 11 percent maximum on commercial vehicles, said Chand. Talking about the potentials of the market, he said, 'huge'. Total investment has been six billion rupees, out of which auto-loans account for six per cent hand said. The payment criterion stands at 20 percent down payment by customers and 80 percent by the bank, he added.

Khaling of Standard Chartered also said that they offer interest rates of seven percent to nine percent for individuals and commercial vehicles, respectively. Standard Chartered invest 90 percent of the total car price ,while 10 percent of the value is provided by customers as down payment ,informed Khaling .In the auto sector, Standard Chartered's total investment comes to over Rs. 1.5 billion, she informed.

Lokendra P N Pradhan , of Lumbini Bank Ltd, said that despite the bank having got into financing automobiles just a year ago, the response has been very good. LBL invests up to three million rupees on a car under the 80 percent price amount it provides while the customer provides the down payment of 20 percent. The interest rates for the period of five years is 7.5 percent while for seven years it is fixed at 8.5 percent, said Pradhan. While the banking sector paints a rather healthy picture of the sector, finance companies having facing a tough time as cash-rich commercial banks

have been offering loan at interest rates to commercial and private vehicles. Due to high cost of funds, finance companies have-not had been able to complete with commercial banks.

Hem Raj Ranabhat, of Ace finance, said that due to high cost of funds, they are not increasing their investments in the auto sector. He expressed concern that as commercial banks take interest down at seven per cent, financial companies cannot follow suit. Nepal Rastra Bank (NRB) must come out with special mechanism to allow financial companies to survive, Ranabhat suggested. During early times, Ace used to invest up to 3 million for a vehicle. But these days, financial companies are not focused on this segment, he informed.

Rajendra Bahadur shrestha, of Nepal Bangladesh bank (NBB) said the bank invests on individual and commercial vehicles and the interest rates ranges from 9 to 9.5 percent for 5 years to seven years. At least 20-30 percent down payment is needed from customers for buying a car, said Shrestha. NB's investment in commercial vehicles is increasing and the recovery is also good.

Surendra Man Maharjan of Universal Finance (UF) said that Finance companies like this have difficulties in investing in the auto sector, due to high operating cost. UF had also started investing in private and commercial vehicles but on collateral basis (building and lands), he said. Customer can repay their loans on a diminishing trend and the interest is 13 per cent. Maharjan said that they have invested only on a few vehicles. Customers have to make a 10 percent down payment while the bank invests 90 percent, he said. What is good for the customers is that the banks are offering a variety of financial scheme that allows them a lot of flexibility and options. Some have 90 per cent financing while some offer flexibility rules for repayment. These schemes are sure to encourage a large number of customers to buy cars and customers to buy cars and bring healthy competition in the auto-financing sector. Consumerism, more importantly, consumers are the winners.

2.6.2 Effect of Global Financial Crisis Nepalese Market

Though Nepal is unaffected directly from the ongoing financial crisis across the world, but sooner or later we will get affected by it. The central bank and the

government are preparing to inject additional liquidity in the market so that the banks and financial institution would be able to continue lending. Nepal is quit insulated from the global market and the main concern at present for Nepal is to control inflation.

In controlling the lending NRB has to be selective so that speculative investments are curtailed but not the productive investments. While margin lending (a name given in Nepal to loan against the security of company stocks) by commercial banks, development banks and finance companies is substantially controlled for about ten months now, the restrictions on speculative lending in real estate and housing sectors are not there. In recent years, banks and financial institutions have grossly exposed their loan portfolio on housing and vehicles. According NRB's report, the lending on both segments has increased significantly in the past few years.

As Dr. Bijaya K.C., Dean of South Asian Institute of Management (SAIM), points out, the financial crisis of the US has proved that banks should focus on management of their loans. Dr. KC further states that the current crisis has signaled for a need of more regulation and improved monitoring capacity on NRB. In general, building house through borrowed money from banks and surviving on the rent received from the same house can trigger a vicious effect on the economy, says Dr. KC.

Senior Chartered Accountant Tirtha Raj Upadhyay who also represents international auditing company KPMG, says that the US financial crisis proves how investing in unproductive sector can negatively impact the economy and Nepal should learn from this experience. Upadhyaya says the ongoing credit crisis in the US will not have direct effect on Nepali economy; however there is a lesson to be learned. "At present there is a huge competition among financial institutions on providing housing loan without proper examination of the borrower's repayment capacity, If, by any chance, these borrower's can't repay the loan, the US experience may be repeated across Nepali banks as well."

Also Dr. Bimal Koirala, former chief secretary and economist, says that it is time for Nepal to control housing loan. "We should learn from the American crisis and Nepali banks should diversify investment and re-examine their management

capacity”, suggest Dr. Koirala.

From the all above statements we can review that the ongoing financial crisis across the world causing recessionary threats, Nepal will be affected in a number of ways and every financial institution should learn from this crisis. They should invest on productive not on un-productive sector. This will effect on Auto loan on two ways positive and negative. On positive way we can take commercial vehicles as productive sector and on negative private vehicles (personal use) will be on un-productive sector. Banks will focus on commercial vehicle loan and for private vehicle loan they will go strict.

2.6.3 Auto-loan Strategy of Standard Chartered Bank Nepal

The article was published by Auto Nepal Magazine, year 1, volume 4, 2005. This article covers the interview with Ms Keepa Khaling which highlights the key auto-loan strategies of the Bank as well as the auto market scenario. Hence the article is very relevant to the study.

Since 1992, SCB Nepal, former Nepal Grinlays Bank, started auto-loan which has now been able to serve its customers with the product in a well managed and effective way. “Though we have been providing auto-loan since last 14 years, it was not much focused during that time. But now every year the effect of auto-loan is increasing”, says Keepa Khaling, chief of secured lending department of Standard Chartered Bank Nepal. According to Khaling, the field of auto-loan has become so competitive that banks frequently change its policies and interest rates in order to cope with the environment. Thus customers are being benefited. “Compared to others, our interest rates are competitive. Due to our quality service and quick response, customers are attracted” say Khaling. International Standard banking, proper management, first and easy service to the customers is some of the reasons why people are attracted towards SCB. After all the documentations are done, within half an hour, SCB gives decision on whether to provide auto-loan or not, which is one of the major reasons why customers are attracted to the bank. SCB provides loans for small cars to large commercial vehicles. The bank invests in auto-loan only after knowing detailed background of the borrower, his income level and his purchasing power. SCB makes loan investment for small cars to big commercial

vehicles. The bank provides the loan for small cars only after thoroughly analyzing the income level and affordability of the customer. The bank gives suggestions and ideas to its customers in taking auto loan. The maximum loan amount that the bank provides is 90 percent of the private car value with loan tenure of 7 years and interest rate of 7.5 percent to 9 percent. The loan provided for commercial vehicles is 80 percent of the total value of the vehicles with loan tenure of 4 years or 48 EMIs (Equal Monthly Installments) and interest rates of 9.5 percent.

Chief Khaling says that SCB provides auto loan for commercial purpose but the borrower should have at least three years experience in the auto leasing business. If any organization or a job holder wants to buy vehicle, SCB provides loan only after analyzing their repayment capability and willingness to pay.

2.7 Review of Thesis

Lila Prasad Ojha (2005), had conducted a thesis on “Lending Practices: A Study on Everest Bank Ltd, Standard Chartered Bank Nepal Ltd and Himalayan Bank Ltd”.

In his thesis he has used different tools like standard deviation, correlation, trend analysis and financial tools for the data analysis and presentation. In this study he has also taken sector wise loan priority, productive sector etc. The sector wise loan classification are presented and analyzed. Only secondary data has been used for the study, the overview of the theoretical aspect of lending practices of the bank has not been analyzed. He has taken five years data from 2012 to 2017 for study of lending practices of EVEREST, SCBNL and HBL. (Ojha, 2005)

The major findings of the study are as follows:

- He has found out that the measurement of lending strength in relative term has revealed that the total liability to total assets of SCBNL has the highest ratio. However, the performance of other two banks has not deviated far from the mean ratio of SCBNL and the combined average.
- SCBNL tendency to investment in government securities have resulted with the lowest ratio of loan and advances to total assets ratio. The steady and high volume of loans and advances throughout the years has resulted EBL

ratio to be the highest.

- The ratio of loans and advances and investment to deposits ratio has measured the proportion of total deposits that is used to increase the income of the banks irrespective of the portfolios of its application. Everest has deployed the highest proportion of its total deposits in earning activities and this ratio is significantly above the ratio of other two banks. The combined ratio is highly deviated from the mean ratio of EBL and SCBNL. This is the indicative of that in fund mobilizing activities EBL is significantly better than SCBNL.
- The overall liquidity strength of SCBNL can be considered the best among the banks. However, the liquidity risk arising from interest rate in SCBNL is the most likely. Since the market is highly sensitive towards the interest rate and SCBNL has been offering low interest rate as compare to other banks. The analysis of lending strength of HBL in loan and advances is the best. However loan and advances, investment to deposit ratio have upgraded the performance of EBL.
- The high volume of lending activities and high volume of productive sector loan of EBL has put this bank in the top position in absolute term.

On the basis of the findings and conclusions he resulted that the liquidity of all three banks is found to be high. He has recommended the banks to look upon new area of lending and investment.

Dipesh Tamrakar (2010), had conducted a thesis on “Study on Loan and Advances of Commercial Banks”.

In his thesis he has collected data from secondary sources such as annual reports and financial statements, official records, periodicals journal and bulletins of commercial banks, various articles and unpublished thesis. The procedure of analysis is based on analysis of financial ratios, statistical analysis and theoretical analysis.

The major findings of the study are as follows:

- The analysis of absolute data of loan and advances shows the irregular increment in loan and advances. The lending trend of all the banks is in

increasing trend however the increment rate is not regular. We can take the increment in loan and advances of the subjected banks as the overall increment of banking industry. The average loan and advances of the NBBL is highest, that of EBL is just behind while of NIC is way behind.

- The volume of non-performing loan of all three subjected banks is irregular as the ups and downs in amount of non-performing loan are often during the period. The analysis of absolute data shows that EBL has maintained low volume of non- performing loan in comparison to others.
- The loan loss provision of all three subjected banks are increasing every year, this may be due to increment in volume of loan and advances as for every loan out flowed 1 percent loan loss provision is compulsory or due to the degradation of loan.
- The interest suspense of NBBL and NIC is fluctuating while that of EBL is increasing in diminishing rate.
- The analysis of loan and advances to total assets ratio reveals that portion of loan and advances in total assets of NBBL is fluctuating while that of EBL and NIC is increasing, however there is certain exceptions. EBL is following the popular statement in business field, “no risk no gain”, so, it was carrying large amount of risky assets to make huge amount of profit.

On the basis of above findings he had made following conclusions and recommendations. Along with increment in deposits the volume of loan and advances of the commercial banks are increasing. The lending and recovery trend of the commercial banks is inconsistent; however the lending and recovery process is continuously going on. The volume of non-performing loan reveals the situation of loan recovery of commercial banks. The study reveals that the lending capacity of the commercial banks is increasing year after year along with its core capital. Regarding the loan and advances portfolio, the commercial banks are focused to lend private sector only. The portion of non-performing loan in total loan portfolio is improving year after year, however among the non- performing loan portion of bad loan is highest, this means turning new loans into non- performing is rare and the past non-performing are still not recovered and degraded every year.

To acquire the market space in today’s growing neck to neck competition in banking

sector, the banking should be consumer oriented. It should facilitate customers and should provide easy and quick services in convenient way and along with this it must follow the safety measures to banks investment then only success will be achieved.

The thesis conducted by Dipesh Tamrakar was focused on every aspect of the loan and advances of banks.

The literatures reviewed above are incredibly relevant to the study. These literature reviews has helped the researcher know the lending strength of banks. Ratio of loans, advances and investment and overall liquidity strength of bank. But there is lack of researches that has attempted to analyze the comparative study on auto-loan with reference to NBBL and Everest Bank, two of the top banks of Nepal. There is also a gap of customer's perspective towards the auto-loan services provided by these banks.

Therefore, in this research the researcher has focused on auto loan. types of auto-loan offered by banks in the market, general guidelines for auto-loan, marketing strategies of banking organizations to secure auto-loan, and present market scenario of the auto-loan including the effect of Global Crisis on Nepalese Scenario. A comparative study on auto- loan, each of their customer's perspective and effect of global financial crisis on loan, has been attempted to analyze through this research report which is every one's concern in the market or we can say hot topic in the market.

CHAPTER-III

RESEARCH METHODOLOGY

3.1. Introduction

This chapter highlights the methodology adopted to present the study. This chapter also mentions about the sources and limitations of the data collected for the purpose of the study. Thus, research methodology indicates the methods and processes employed in the entire aspects of the study. Research methodology is the way to solve systematically about the research problem.

3.2. Research Design

The research is generally descriptive and analytical. In this study, the annual reports published by the relative banks and other publications of the related banks published by Nepal Rastra Bank, various magazines and newspapers, internet and other related agencies are collected for the analytical purpose of conducting this study.

3.3. Sources of Data

Both primary and secondary sources of data have been used to fulfill the objectives of research design. In this study, primary data includes data collected from the questionnaire and interview with the respective personnel in the auto-loan department of the respective banks. Similarly in order to know the competitiveness in the market interviews from the customers; who are the users of auto-loan; is also taken. Secondary data are collected from the Annual Report of the concerned banks and their web site, Nepal Rastra Bank Directives, Banks' publications, brochures and reports about auto loan and journals published by news, magazines and newspapers and internet.

3.4. Data Processing Procedures

For the purpose of this study, the data are collected from different sources as mentioned above. These collected data are tabulated under different heads for the purpose of the study and both financial as well as statistical tools are used for the analysis of the data. The instructions used in this research are mainly statistical as it shows the pie-chart and bar diagram of the surveyed questionnaire. In addition, for

further analysis, programs like Word and Excel has also been used in the study.

3.5. Population and Sample

Since this research attempts to portray the true picture of auto-loan in the market, it is directly related to banking industry. While talking about the banking industry there are 28 commercial banks operating in Nepal. Considering the appropriateness of sampling, two of the major competing commercial banks of Nepal have been selected on 'simple judgmental' basis. Specifically, this method is used because the entire population can be listed. Hence, sampling is done selecting from the population of 28 commercial banks, out of which 2 banks are selected for the purpose of this study. The samples are as follows:

- Nepal Bangladesh Bank Ltd.
- Everest Bank Ltd.

Moreover, in order to understand the general customers' view a customer survey has also been conducted. This research also tries to show the competitiveness of the two banks on the product; auto-loan. So for the purpose, random sampling on judgment based method has been used. To gather the primary information small questionnaire survey has been conducted. A sample of 10 customers from each of the banks has been taken, which means that total of 20 customers has been interviewed for the survey purpose in the study.

3.6 Financial Indicators and Variables:

The financial tool used for the purpose of this study is:

1. Amortization Method

Banks use amortization table in order to calculate equal monthly installment, interest to be paid each month by the borrower and the principle amount. An example of the amortization schedule and the calculation of equal monthly installment have been given in appendix IV.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

This chapter consists of presentation and analysis of secondary data and primary data related to different variables explained in the third chapter. It also consists of the secondary data, statistical tools that has been used for the analysis of the data. The basic objective of this chapter is to achieve the objectives which are set in the first chapter. In order to achieve these objectives the gathered data are presented, compared and analyzed with the help of different tools. Thus, this chapter is the focal part of the study which helps to analyze the auto-loan scenario in the Nepalese market with reference to two the sample banks viz. Everest Bank Ltd and Nepal Bangladesh Bank Ltd.

4.1 Auto-loan Scheme

This section deals with the analysis of primary data which has been collected from the authorities of Everest and Investment bank. Since this is a comparative study of auto-loan practices between Everest and Investment bank, primary data for this study are collected through the corresponding banks and different web sites. Thus this section mainly deals with the comparison of the general practices of the banks.

4.1.1 How Amortization works

Amortization is the elimination of a debt over time with periodic payments. For example, assume you make mortgage payments every month. A portion of that payment covers the interest you owe, and a portion of the payment pays down your principal. The majority of each payment at the beginning of an amortization loan pays for interest. As time goes on, more and more of each payment covers your principal. You are then “amortizing” the loan.

The study also includes a sample amortization schedule of a sample customer to show the loan repayment process which is clarified in Appendix IV.

4.1.2 Introduction of Auto-loan

In this 21st century, everyone’s living standard is increasing and this has affected a lot in the case of auto loan. The product Auto-loan has not been launched to long in

Nepali market, yet it has been successful to grab the targeted customers offering affordable interest rates, easy EMI's and indeed an attractive customer services. For more clear vision we can see table 4.1, where increment in auto loan from 2014 to 2015 has increased 21.62 percent and from 2015 to 2016 its 45.33 percent.

Table 4.1
Outstanding Credit of Commercial Banks Classified by Type of Security

Rs. in million

	2014	2015	2016	014/015	015/016
Land & Building	112,894.42	133,060.12	184,555.74	17.86%	38.71%
Vehicles	11,554.64	14,053.11	20,423.15	21.62%	45.33%

Source: New Business Age Oct-Nov '08

EVEREST Bank has been in Auto loan business since 2006 and NBBL is in this business from 2007. Though the launching of auto-loan has not been long in Nepal, financial institutions have made aggressive marketing looking at the potential of the market. The table no. 5 summarizes the interview conducted with the banks.

Service Charge

While providing an auto-loan, Investment and EVEREST bank charges a service of 1 percent of the loan provided.

Pre-payment Charge

Pre payment charge is the percentage amount charged by the banks in case the borrower pays back the loan amount before the specified time. In EVEREST and NBBL prepayment charge is 2 percent only if prepaid within one year.

Maximum Finance

In case of both the banks, the maximum finance that these banks provide for auto-loan is up to 80 percent finance.

Maximum Tenure

In NBBL the maximum tenure is 5 Years and in EVEREST its 8 Years.

Amount of Loan

Now a day in Nepal trend of taking loan through bank is increasing day by day. We can clearly see this through top two bank of country. As per the table no. 4.2, in the FY 2012/013 and 2013/014 the increasing trend of loan is high in Everest than NBBL but in FY 2015/016 and 2016/017 NBBL the increasing trend of loan is high in NBBL than EBL.

Table 4.2
Amount of Loan

(In millions)

Bank	2012/013	2013/014	2014/015	2015/016	2016/017
NBBL	7,338	10,453	13,178	17,769	27,529
EVEREST	8,549	10,947	13,279	15,903	21,759

While analyzing the market trend we can see in table 4.3 that NBBL has captured 9.28 percent of total market where EVEREST has captured 7.34 percent. This shows that in FY 073/074 NBBL is heading EVEREST through 1.94 percent on total market.

Table 4.3
Market percentage

Loan	FY 016/017 (in millions)	(%)
Total Market	296,517	100
NBBL	27,529	9.28
EVEREST	21,759	7.34

Interest Charged and Percentage Financed in various categories of Auto-loan

The maximum percentage of finance and the published interest rates for all categories of auto loan in both the banks are the same. These may differ according to the negotiation with the borrower. The table 4.4 shows the minimum and

maximum percentage of interest that the commercial banks usually provide for various categories of auto-loan. In table 4.4 we can see percentage of finance and percentage of interest of two banks: EBL and NBBL. We can also see that these banks charges higher interest rates for commercial vehicles like bus and taxis. This is because financing such vehicles involves higher risk than financing private or other categories of vehicles. Banks face more risk of bad debt or non performing assets while financing commercial purpose vehicles and thus higher percentage of interest rate (up to 10 percent interest) is charged with lesser percentage of finance provided.

Table 4.4
Interest Charged

Categories	% of Finance (EVEREST)	% of Finance (NBBL)	% of Interest rates (EVEREST)	% of Interest rates (NBBL)
Commercial	3 – 60 lakhs	80% for new vehicle	10	10
Private	3 – 60 lakhs	80% for new vehicle	8.5	10
Used	3 - 20 lakhs	50% for used vehicle	9.0	10
Refinancing	3 – 25 lakhs	50% for used vehicle	9.0	10

The table 4.5 summarizes the interest rates between different banks.

Table 4.5

Interest Rate for Auto Loan

Name of bank	Lowest (%)	Highest (%)
Everest Bank Ltd	9.0	10.5
Nepal Bangladesh Bank Ltd	9.0	11.0
Siddhartha Bank Ltd	10.0	11.25
Nepal Bank Ltd	7.5	10.0
Rastriya Banijya Bank Ltd	7.5	7.5
NIC Bank Ltd	10.5	12.0
Laxmi Bank Ltd	9.5	10.5
Everest Bank Ltd	9.5	10.5
Global Bank Ltd	9.5	10.5
Kumari Bank Ltd	9.0	11.0
Bank of Kathmandu Ltd	7.5	11.0
Prime Commercial Bank Ltd	10.5	10.5
Nepal SBI Bank Ltd	9.5	10.5
Nepal Bangladesh Bank Ltd	9.0	11.0
Bank of Asia Nepal Ltd	10.5	12.0
Citizens' International Bank Ltd	9.0	11.5

Source: www.loan.com.np

Separate Collection Unit for Auto-loan

EVEREST bank has a recovery cell unit in Lalitpur; similarly NBBL also has a recovery unit. These units collect and recover its auto-loan through personal, site visits, telephones or by letters to the borrowers. Generally recovery of auto loans is quite successful since it involves less risk than any other loans. While providing auto-loans, banks have to face highest risk in commercial vehicles, thus higher percentage of interest is charged for commercial purpose vehicles.

4.2 Lending Procedure at Bank

Availing retail loans from bank comprises a step-wise, systematic and a standard procedure. The loan approving and sanctioning authority don't hasten unless they are fully convinced that the loan will be repaid with interest.

Before sanctioning a particular loan proposition, some steps have to be duly undertaken for the very reason of accessing whether the customer is eligible to switch over to following steps. The pre-sanction appraisal is an answer to risk lessening in credit.

- 1) **Inquiry:** The preliminary step for pre-sanction appraisal or loan proposal starts from customer in inquiring about Bank's retail loan schemes.
- 2) **Interview and preliminary screening:** After some meaningful inquiry, concerned staff of bank interviews the customer. The loan officers are fully aware of the fact that though interview alone is not the answer to all interrogation but it gives the information about the purpose of loan. During the interview the loan officer can gather the information regarding personal background. More importantly they can know about amount required, their security details, and their repayment source. Basically, for availing retail loan at banks, the clients have to have his gross monthly income at least double of EMI.
- 3) **Review of Application:** After preliminary screening, the critical appraisal on the pros and cons of the proposition is evaluated. If the customer happens to have enjoyed or enjoying any loan facilities from any other banks, his track record is assessed as per the information given by the particular bank.
- 4) **Site visit:** If the report or the track record gives green signal, necessary preparations are made for the official site visit of the collateral. Usually site visits are carried out by the branch manager and assistant branch manager or any one from credit department. Site visit is primarily aimed towards ensuring where the location of the collateral is situated. For vehicle loan however, site visit is for knowing about the permanent address of the borrower.
- 5) **Loan Application:** The client then has to fill up an application form to the

manager of the concerned branch.

6) Loan Approval: Pre-sanction appraisal culminates with the official sanction of the particular loan requested which means the loan is provided to the borrower.

4.3 Customer Survey

For the purpose of the research, total of 50 sample customers were surveyed. Out of the total 50 customers, 25 were the customers of NBBL and 25 were the customers of EBL. The survey was conducted with the main purpose of analyzing the scenario of auto-loan and comparing the banks in terms of auto-loan from the perspective of the customers. The level of customer satisfaction and the competitive position of the banks will be analyzed through this study. The analysis is based on the response and feedback of the 50 sample customers. The sample questionnaire used for this survey is found in the annex. Hence, the section will analyze and interpret the findings of the customer survey question wise and it was asked to the respondent in the questionnaire.

4.3.1 People Interested in Auto-loan: In Consideration of their Age

The study attempted to find out the age-group of people who generally take the auto-loan to buy vehicles. After the survey it was found that out of 50 respondents, 20 of them fell under the age-group of 30-40, 25 respondents fell under the age group 40-50 which is the age group with the highest frequency and comparatively more prompted towards taking auto-loan. Likewise only 5 respondents fell under the age group of 50 above. The table 4.6 shows the responses of the customers:

Table 4.6

People Interested in Auto-loan: In Consideration of Their Age

Age	Frequency (f)	Frequency in (%)	Mid value (x)
30-40	20	40	35
40-50	25	50	45
50 & above	5	10	55

The table 4.6 clarifies that 50 percent of the customers of NBBL and Everest Bank fall under the age group 40-50, which is the highest percentage of frequency. 40 percent of the customers are of age group 30-40. Only 10 percent of the people fall under the age group 50 above. This means that mostly people under age group 40-50 has both desire and ability to take auto- loan from the banks.

The Figure 4.1 makes the response of the customers even clearer.

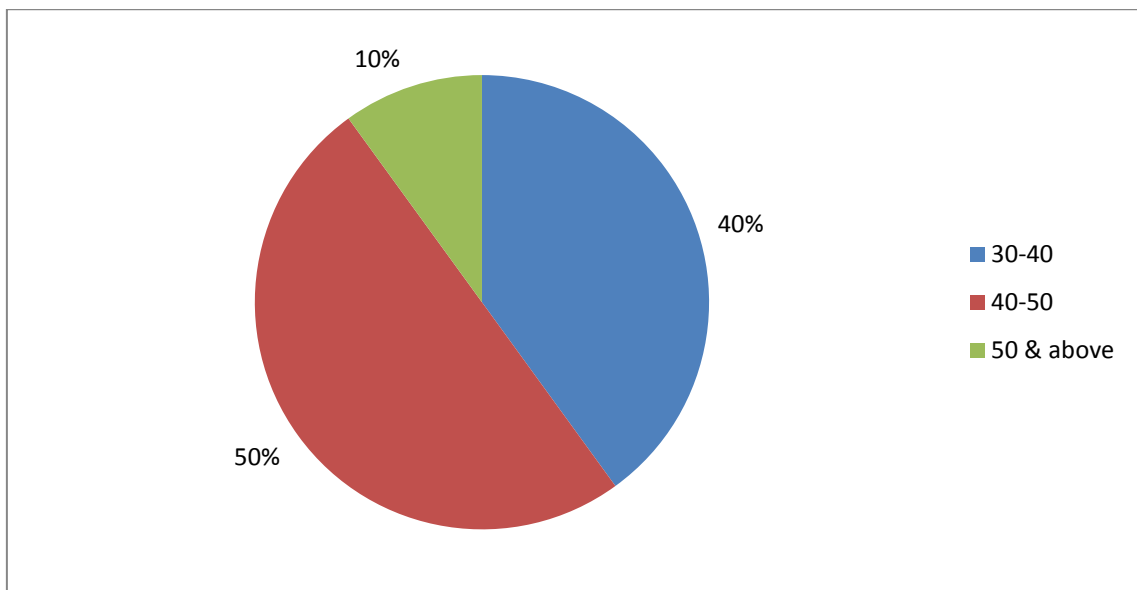


Figure No 4.1

People Interested in Auto-loan: In Consideration of Their Age

From the Figure No. 4.1, we can see that people between the age group of 40-50 are more interested in taking auto-loan than people of any other ages. The people above 40 and below fifty are generally successful working people who have the capacity to purchase a vehicle and pay the interest. This might be the reason for such a result of the respondents' survey. Besides, the survey shows that age-group of people who are 50 or above are also in the group of people taking auto-loan than people above 30 and below 40. This shows that young people below 30 are not much into taking auto-loan, which might be because of not having the capacity and good income.

4.3.2 Peoples Demand for Auto-loan: Profession wise

The survey was done to find out which profession of people is more interested in

taking auto-loan. Then again, the proportion of auto-loan users with different professions in the two banks was compared in order to find out the customers' choice of bank regarding their profession. The table 4.7 shows the overall percentage of auto-loan users, segregated profession wise as per the survey conducted.

Table 4.7
Peoples' Demand for Auto-loan: Profession wise

Profession	No. of respondents (frequency= f)	Frequency in (%)
Businessmen	27	54
Doctors	11	22
Engineers	3	6
Government & Private service holders	9	18

The figure 4.2 makes the survey result more clear.

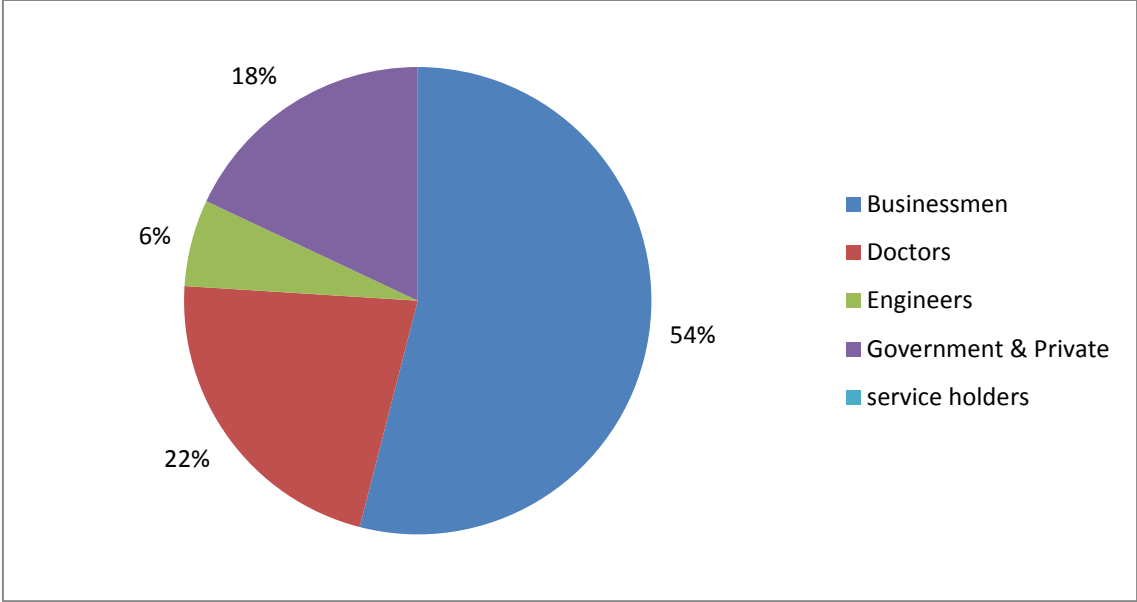


Figure No 4.2
Peoples' Demand for Auto-loan: Profession wise

Out of the total 50 respondents (25 from EVEREST and 25 from NBBL), 54 percent

of them were businessmen, 22 percent were doctors, only 6 percent were professionally engineers and 18 percent of the customers were service holders. This data shows that businessmen are the most frequent or more willing to take auto-loan than any other profession regardless of their income level. The second categories of respondent who are willing and able to take auto- loan are the Doctors. Then comes the government and private service holders which include professors, lecturers, managers, etc. From the study it is found that engineers are less willing to take loans. According to the banks, they prefer to provide auto-loan service to the professionals like doctors, professors and engineers because most of the times their income is fixed and high as well and thus there is lesser chances of default.

The table 4.8 shows the comparison between EVEREST and NBBL with respect to their customers, profession wise.

Table 4.8

Demand for Auto-loan in Everest and NBBL: Profession wise

Profession	Everest (f)	(%) in Everest	NBBL(f)	(%) in NBBL
Businessmen	12	48	15	60
Doctors	5	20	6	24
Engineers	2	8	1	4
Govt. & Private service holders	6	24	3	12

From the survey it was found that out of the total customers, 48 percent of the customers of Everest bank were businessmen by profession. Likewise in NBBL 60 percent of its auto-loan customers were businessmen. Businessmen mainly take auto-loan for two purposes: either for private use or for commercial purpose. The survey shows that NBBL is more into providing auto-loan for businessmen that involves slightly higher risk compared to other profession. Similarly, 20 percent of the customers in Everest Bank were doctors, only 8 percent of them were engineers and 24 percent were service holders. On the other hand, in NBBL 24 percent of its customers were doctors, only 4 percent engineers and 12 percent were service

holders.

4.3.3 Preference of Auto-loan: Married and Single

As per the study, out of the total 50 respondents, 32 of them were married whereas only 18 of them were unmarried. This means that 64 percent of the customers were married and 36 percent of them were unmarried or single. This has been shown with the help of the figure no. 4.3.

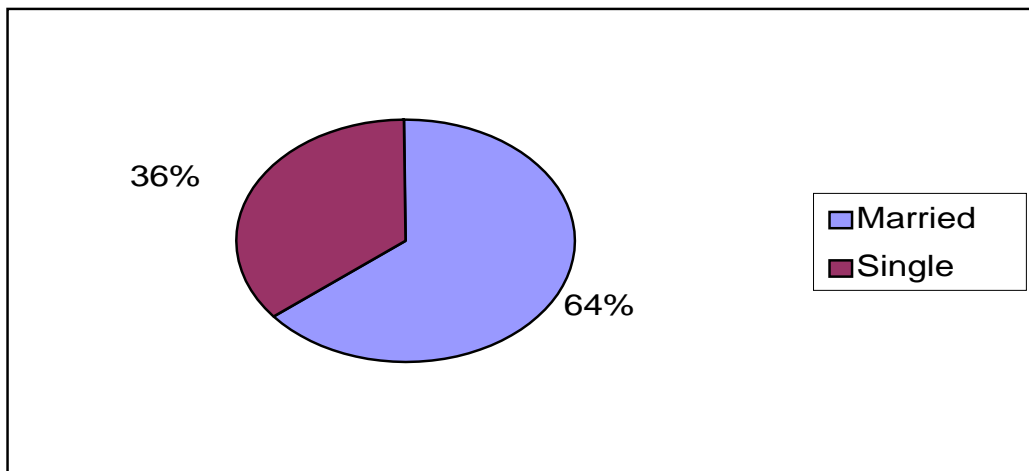


Figure No 4.3

Preference of Auto-loan: Married and Single

From the pie chart 4.3, it is clear that married people are more interested in taking auto-loan than that of the single people. As mentioned earlier the average age group who are more interested to take auto-loan is 40 years. Most of the people under this age are generally married and they mostly prefer to take loans for small family cars like Hyundai and Maruti. The table 4.9 shows the percentage of married and unmarried customers of Everest and NBBL.

Table 4.9

Preference of Auto-loan in Everest and NBBL

Status	Everest	In (%)	NBBL	In (%)
Married	15	60	17	68
Single	10	40	8	32

The table 4.9 shows that in both the banks the percentage of married users of auto-

loan is higher than that of the unmarried users of auto-loan. In Everest bank 60 percent of its customers are married while only 40 percent are single. Similarly in NBBL, 68 percent of the customers are married and only 32 percent of them are single. This clarifies that people who are already settled and married are more prone to take auto-loan as they have willingness as well as purchasing power of buying cars, either for personal use or for commercial purpose. Thus the percentage of married respondents in NBBL is higher than in Everest bank which indicates that NBBL faces slightly lesser risk in this regard.

4.3.4 Sources considered by the customers while getting information about Auto- Loan

The question was asked to find out which is the most effective and influencing source that drives the customer to take the auto loan. In this regard, out of the 50 sample customers, 19 of them were more influenced by friends, 12 customers were driven by the marketing and visibility of the banks, 6 of them considered the information from internet and websites and 14 of them followed the advice and suggestions of the auto-dealers.

On the basis of the total number of response on each source, ranks are assigned from 1 to 4; in which 1 is the most used source and 4 is the least. The table 4.10 shows the response.

Table 4.10
Sources considered by the customers while getting information about Auto- Loan

Sources	Frequency	Rank
Friends	19	1
Auto Dealers	14	2
Marketing	12	3
Website	5	4

The pie chart 4.4 clearly shows the result of the survey question:

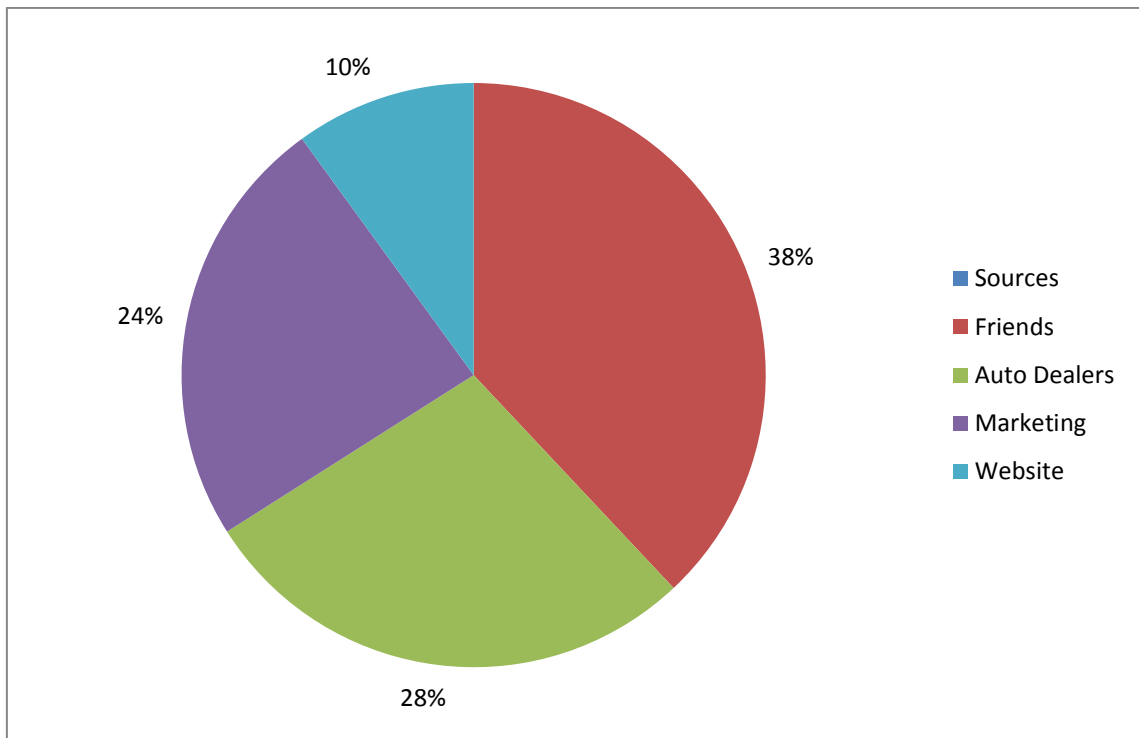


Figure No 4.4

Sources considered by the customers while getting information about Auto-Loan

The table 4.11 shows the ranking of different sources based on the total number of response. The most influencing source, friends are ranked 1, then after auto dealers are ranked 2, followed by marketing and website/ internet ranked 3 and 4 respectively. Hence this shows that friends are the most influential source for customers while taking auto- loan.

Similarly as per the survey the pie chart no. 4.4 shows that 38 percent of the total customers of Everest and NBBL are influenced by friends, 28 percent followed the suggestions of the auto dealers, 24 percent were attracted by the marketing and promotion of the banks and only 10 percent of them considered the information from internet and websites.

The table 4.11 shows the influencing sources in taking auto-loan from Everest and NBBL.

Table 4.11
Sources Considered in Everest and NBBL

Sources	Everest	(%)	NBBL	(%)
Friends	9	36	10	40
Auto Dealers	8	32	6	24
Marketing	6	24	6	24
Websites	2	8	3	12

From the table 4.11, we can see that 36 percent of the customers of Everest Bank were influenced by their friends where as in NBBL 40 percent of the customers were influenced by friends and relatives. This shows the goodwill earned by the NBBL in Nepal. On the other hand, people influenced by auto dealers in Everest bank were 32 percent and in NBBL it was only 24 percent. This indicates that Everest bank has greater relation and tie up with auto dealers than NBBL.

This result might also be due to the tie up of Everest bank with auto dealers for Maruti cars for which people in Nepal have higher demand both for personal as well as commercial use (Maruti Taxis). Similarly 24 percent of the customers of Everest bank considered the marketing and promotion of the bank and only 8 percent of them considered the information from internet and website. On the other hand, in NBBL, 24 percent of its customers were influenced by the banks' marketing and 12% of them considered the website information.

4.3.5 Reasons for Choosing the Specific Bank

The study attempted to find out the different reasons behind choosing the particular bank. From the survey, it is seen that out of the 25 respondents from the NBBL, 10 of them chose the low interest rate as the prime reason, 12 sighted easy process and service of the bank as the reason for choosing the bank and similarly the remaining 2 respondents considered lesser processing fee while choosing the bank.

On the other hand, out of the total 25 respondents of Everest Bank, 14 chose the

bank for auto loan due to low interest rate, 9 respondents viewed services and easy processing as the reason and 2 of them chose the bank due to the less processing fee. The table 4.12 shows the response of the customers for choosing the particular bank.

Table 4.12
Reasons for Choosing the Specific Bank

Reasons	Everest (25)	(%)	NBBL (25)	(%)
Low interest rate	14	56	10	40
Easy processing and Service	9	36	12	48
Less processing fee	2	8	3	12

In Everest bank 56 percent of its customers felt that the interest charged by the bank is comparatively lower, 36 percent of its customers chose the specific bank due to its easy processing and good service and only 8 percent considered the less processing fee and the factor for choosing the specific bank. On the other hand, 40 percent of the customers of NBBL considered the interest charged by the bank as low, 48 percent of its customers found the processing convenient and service good, and 12 percent of the customers considered less processing fee as the measuring factor for choosing the bank for auto-loan.

The bar diagram 4.1 clearly shows the result of the survey question:

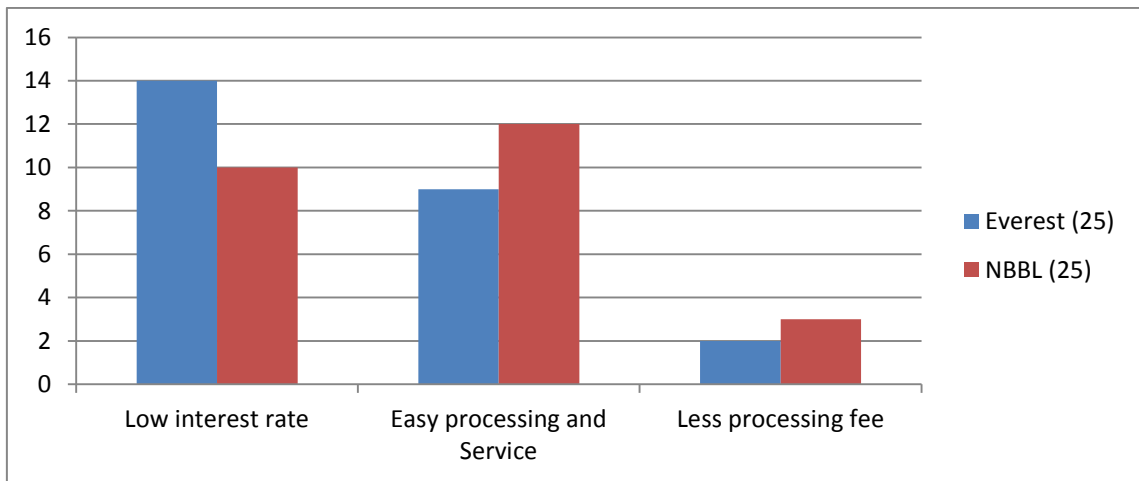


Figure 4.5

Reasons for Choosing the Specific Bank

The analysis from the Figure no. 4.5 shows that customers have the perception that the interest rate charged by Everest Bank is comparatively more than that of the NBBL. Therefore, the survey has shown more respondents choosing Everest bank for the reason of low interest rate offered by the Bank. Similarly, the processing and the overall service are assumed to be easier at NBBL in comparison to Everest Bank according to the response received by the survey. And, the processing fee seems similar as shown by the response of the customers. Therefore, from the survey it can be said that customers seem to prefer NBBL for the easy process and service whereas they choose Everest bank for the way the interest rate is charged.

4.3.6 The Percentage of Loan Taken out of the Total Value

The question was asked with the view to analyze the total down payment the customers generally make and the general trend of the percentage of loan taken by the customers in practice. Out of 25 respondents of NBBL 14 had taken 90 percent of loan from the bank, 4 had taken 80 percent loan, 5 had taken 70 percent loan and remaining 2 said 25 percent. Out of 25 respondents of Everest bank, 12 had taken 90 percent of loan from the bank, 5 had taken 80 percent loan, 4 had taken 70 percent loan and remaining 4 had taken other different percentages of loan.

The table 4.13 shows the customers response towards the percentage of loan financed by the banks out of the total value of the vehicles.

Table no. 4.13

Percentage of Loan Taken out of the Total Value

Percentage (%)	Everest	(%)	NBBL	(%)
90	12	48	14	56
80	5	20	4	16
70	4	16	5	20
others	4	16	2	8

The result from the survey of the question shown in the figure 4.6.

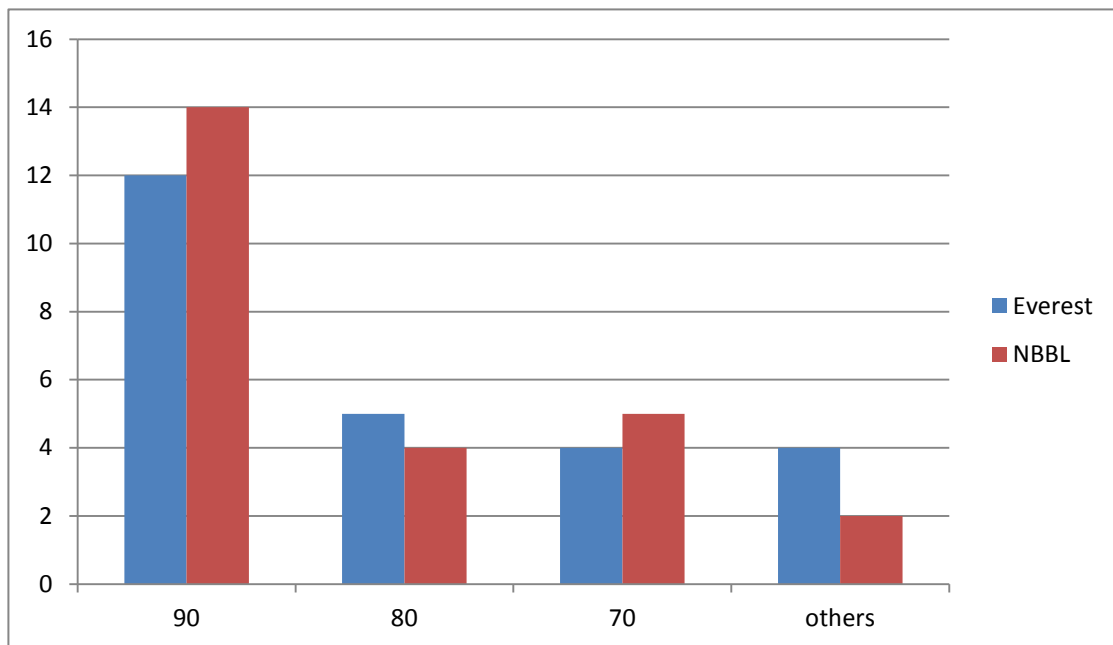


Figure No. 4.6

Percentage of Loan Taken out of the total

This shows that the majority of the customers only make 10 percent of down payment while taking the auto-loan. From the survey, it is seen that in both the Banks, the number of respondents taking 90 percent of auto-loan from the Bank is comparatively very large. There are fewer customers who are taking 80 percent or even 70 percent or any other amount of loan from the bank. Even while comparing these two Banks, the responses seem similar, that is, higher percentage of

respondents going for 90 percent of auto-loan from both the banks, though the number of respondents taking 90 percent auto-loan from NBBL is little higher i.e. 56 percent, than that of Everest Banks which is 48 percent. But still, it can be concluded as more respondents going for 90 percent of auto-loan from both the banks.

This means that both the banks are providing more of the loans for private purpose vehicles though the proportion of NBBL Nepal is higher. We can say this because as per the interview conducted to both the banks which is shown in tables above, they provide 90 percent finance only for private purpose and educational institutions. This may be due to higher default risk involved in commercial vehicles than in private vehicles.

4.3.7 The Procedure of taking Auto-loan from the bank

The question was surveyed with a view to find out, in comparison, between the NBBL and the Everest bank has the more easy procedure while taking the auto-loan. The survey showed that among the 25 sample customers from NBBL, 4 respondents addressed the process as easy, 12 found it very lengthy, 6 said the process was friendly dealing, none said it was fast and only 3 said it was simple, Out of 25 sample customers of Everest bank, 7 respondents addressed the process as easy, 6 found it very lengthy, 4 said the process was friendly dealing, 3 said it was fast and only 5 said it was simple.

The table 4.14 shows the customers response towards the procedure of taking auto-loan from individual banks.

Table 4.14
The Procedure of taking Auto-loan from the bank

Process	Everest	(%)	NBBL	(%)
Easy	7	28	4	16
Very lengthy	6	24	9	36
Friendly dealing	5	20	6	24
Fast	3	12	3	12

Simple	4	16	3	12
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The table 4.13 shows that the procedure of taking auto-loan is found to be more satisfactory in terms of convenience of taking the loan for the customers of Everest bank than that of NBBL; in percentage the survey ratios were 28 percent and 16 percent in Everest bank and NBBL respectively. 24 percent of the customers found the procedure in Everest very lengthy while in NBBL 48 percent of them found it very lengthy. 24 percent of the customers were satisfied with the friendly dealing if the NBBL and with that of Everest 20 percent found the dealing with the customer friendly. In both the banks only 12 percent of their customers found the procedure fast where as in Everest bank 16 percent customers found the procedure simple and in NBBL only 12 percent found it simple. The survey results can be seen in the figure 4.7.

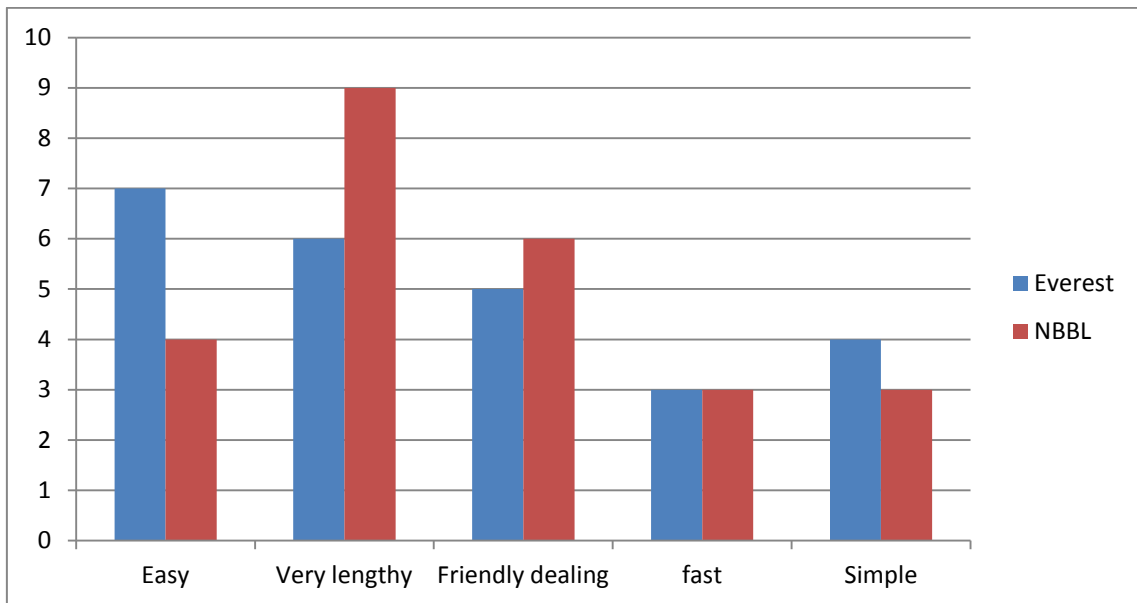


Figure 4.7

The Procedure of taking Auto-loan from the bank

From the analysis made from the results shown in the figure 4.7 of making comparison between the banks, it is seen that the customers of NBBL thinks the process of taking auto-loan as lengthy as that of the customers of Everest Bank. The process of dealing with customers is quite similar, both the banks seems quite friendly, but still from the analysis, as per the customers' view point, the procedure

of NBBL is quite lengthy as it always sticks to its systems and policies and hence a bit rigid and inflexible.

4.3.8 Auto-loan as a Better Option or not

This question was surveyed to find out whether the customers of the two banks think that auto-loan is a better option than self-financing. Out of the total 50 respondents, 28 respondents found auto-loan as a better option than self financing whereas 22 respondents found self financing a better option. On the basis of the total number of response, ranks are assigned from 1 to 2; in which 1 is the most said option and 2 is the less in comparison. The table 4.15 shows the response from the customers:

Table 4.15

Auto-loan as a better option or not

Option	Response	Percentage (%)	Ranks
Auto loan	28	56	1
Self Finance	22	44	2

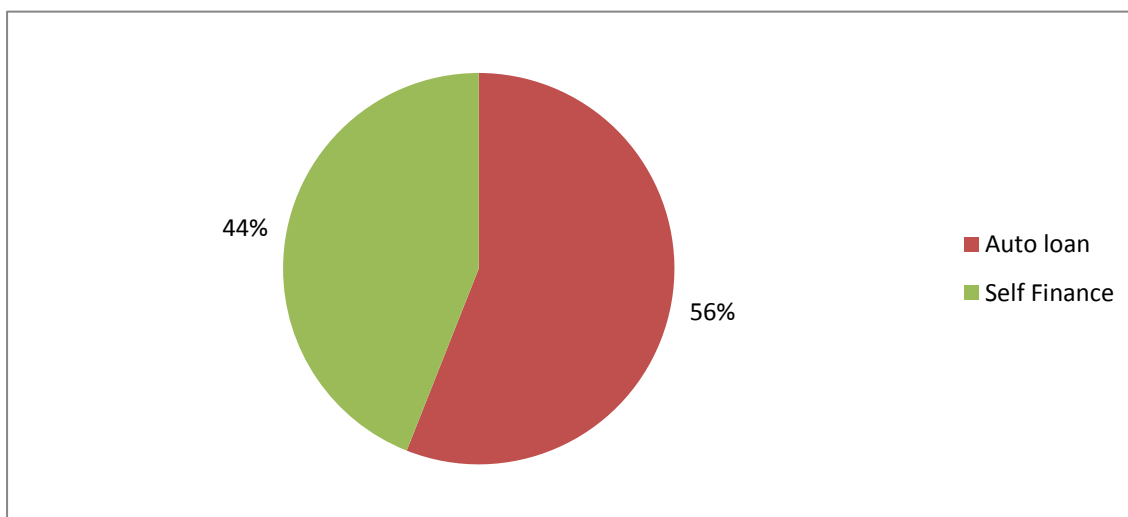


Figure No. 4.8

Auto-Loan as a better option or not

From the figure no 4.8, it can be analyzed that respondents from both the banks prefer and require taking auto-loan in comparison to self financing. As per the

survey it was mostly businessmen who thought that auto loan was a better option as people don't have to give a lump sum and easily get a desired vehicle when needed. But there were also respondents who thought that self financing would be better as it would cut unnecessary costs such as interest and processing charges.

Table 4.16
Auto-loan as a better option or not in Everest and NBBL

Option	Response in Everest (%)	Response in NBBL (%)
Auto-loan	46.43	53.57
Self Finance	54.54	45.45

The table 4.16 shows that out of the total respondents who chose auto-loan as a better option, 46.43 percent of them were from Everest where as 53.57 percent of the respondents was from NBBL. Similarly, out of the 44 percent respondents who chose self financing as a better option, 54.54 percent of them were from Everest and 45.45 percent were from NBBL. This data shows that most of the customers of Everest bank feel that self financing is a better option than taking auto- loan. On the other hand the customers of NBBL feel that taking auto-loan from bank is a better option. This result indicates that the customers of NBBL are more convinced and happy with the auto-loan scheme of the bank than that of Everest Bank. But the result might also be due to more percentage of businessmen customers in NBBL than in Everest Bank, as businessmen require and so are more prone to loans for any purpose.

4.3.9 The level of satisfaction with the service provided by the bank

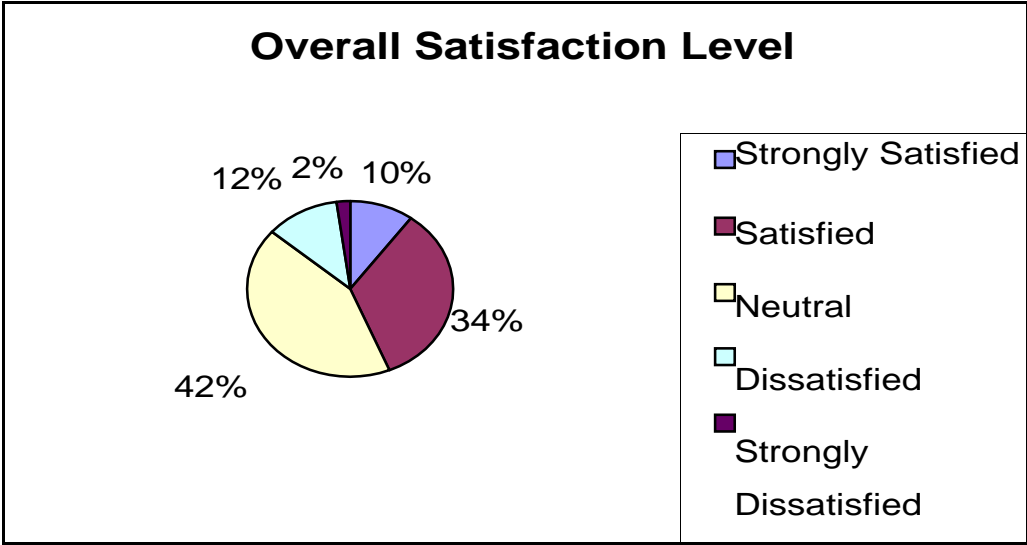
The question was surveyed to find out the satisfaction level of the customers of both the Banks. Here the level of satisfaction is graded from 1 to 5 where 1 means strongly satisfied, 2 means satisfied, 3 refers to neutral, 4 means dissatisfied and 5 means strongly dissatisfied.

Out of the total 50 respondents, 10 percent of the respondents were strongly satisfied with the auto-loan service of the banks, 34 percent of them were satisfied,

42 percent of them gave a neutral response, 12 percent were dissatisfied and only 2 percent of the respondents were strongly dissatisfied with the auto-loan service of the banks. Out of the total 25 respondents of Everest Bank Ltd., 8 percent of them were strongly satisfied with the service, 36 percent were satisfied, 44 percent reacted neutrally, 12 percent of them were not satisfied, and not of them were strongly dissatisfied with the auto-loan service of the bank. Similarly, out of the 25 respondents of NBBL, 12 percent of them were strongly satisfied, 32 percent were satisfied, 40 percent were moderately satisfied with the service of the bank, 12 percent were not satisfied and 4 percent of them were strongly dissatisfied with the service of the NBBL.

The figure 4.6 shows the overall level of satisfaction of the two banks.

Figure No 4.9
Percentage of Overall Level of Satisfaction



For further analysis, the weighted mean of the responses of the two banks has been calculated. The result of the survey as well as the weighted mean of the result can be seen in the table 4.17.

Table 4.17

The Level of Satisfaction with the Service Provided by the Banks

Satisfaction Level	1	2	3	4	5	Weighted Mean
Overall	5	17	21	6	1	2.62
Everest	2	9	11	3	0	2.6
NBBL	3	8	10	3	1	2.64

From the table 4.17, we can see that in overall, the weighted mean of the level of satisfaction is 2.62 which are slightly less than or very close to 3. This means that almost all the respondents are neutral or slightly towards the positive side of the satisfaction level. The weighted mean lies towards the satisfaction level but not strongly satisfied.

When compared the satisfaction level between the two banks, most of the customers of both the banks seems to be moderately satisfied or slightly positively satisfied. But looking at the weighted mean of the two banks, it is seen that the customers of Everest bank is slightly more towards the positive side than the customers of NBBL. The weighted mean of Everest bank is slightly less than the weighted mean of the NBBL. This shows that the level of satisfaction of the customers of Everest bank is slightly more tilted towards the positive side though in both the banks most of the customers' responses were neutral.

4.4 Findings

- Generally finance companies and banks tie up with automobile dealers under particular understanding for their individual benefits so that customers can easily get the finance from desired banks. This makes positive impact to the interest rates charged to the borrowers. The interest rates charged by the banks reduce to a certain extent for which the deference of the rate is balanced by the auto mobile dealers to the bank. In this situation all the three parties are in win-win situation because customers are

benefited with low interest rate, banks are benefited with no difference in interest rate (as the difference interest rate is covered by the automobile dealers) and the dealers are benefited with increase in sales turnover and wide range of advertisement of their products.

- Such tie ups of banks with auto-mobile dealers directly affects the interest rates charged to the customers. They are also discounted for the processing and documentation charge by the bank. E.g. Everest Bank does not take processing or any documentation charge for the customers of Maruti cars. NBBL has a tie up with Hyundai dealers. So for private car buyers of Hyundai Company the bank charges only 3 percent interest rate with 90 percent finance and no interest rate in 50 percent finance. As per the secondary data and the customer survey, the researcher found that most of the private small car users prefer Maruti cars due to the affordability, lesser fuel consumption and its marketing. This might be the reason why the customers of Everest bank find it more flexible and easier and hence are more satisfied with its service.
- The competitive advantage of NBBL is faster service, specialized staff, less processing charge or sometimes nil in high value cars, and more reliable source of financing. EVEREST Bank is more flexible, in terms of documentation and customer satisfaction and faster customer service.
- From the study it was found that the age group between 40-50
- is more interested in taking auto-loan than people of any other ages as they are generally successful working people who have the capacity to purchase a vehicle and pay the interest.
- Businessmen are more into taking auto-loan than any other profession especially from NBBL that involves slightly higher risk compared to other professions.
- Married and settled people are more prone to take auto-loan as they have willingness as well as purchasing power, either for personal use or for commercial purpose. The percentage of married respondents in NBBL is

higher than in Everest bank which indicates that NBBL faces slightly lesser risk in this regard.

- Friends and auto dealers were respectively the first and second important influencing factors for choosing the banks.
- The level of satisfaction of the customers of Everest bank is slightly more tilted towards the positive side though in both the banks most of the customers' responses were neutral.
- Loan tenure is the term or the time period for which loan is provided. In other words it is the repayment period of a loan. More the tenure period, lesser will be the EMI (Equal Monthly Installment). NBBL provides 5 years of loan tenure that is 60 EMI and Everest bank provides 7 years loan tenure that is 84 EMIs. More the tenure period, lesser will be the amount to be paid every month. So the borrower will have lesser burden while repaying the loan. Hence in terms of loan tenure Everest Bank has provided better facility than NBBL.
- During the moratorium period, the borrower has to pay only the interest of the loan amount. Longer the moratorium period more interest has to be paid by the borrower of the used amount. The repayment starts only after the moratorium period is completed. Generally all banks provide moratorium period for the commercial vehicle loan only.

CHAPTER-V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The report attempts to make the comparative study of auto-loan in the top two banks of Nepal: Everest and NBBL. The objective behind the study is to understand the interest rates and its impact in the auto-loan market. It further seeks to examine in detail about the auto-loan strategies of banks, to know the competitive factors of the banks in the auto-loan market, to know the collection & recovery strategies of auto loan adopted by banks, to know the contribution of auto-loan in the non performing assets of banks and to know the overall Auto-loan procedures in Nepalese financial market with reference to the two major banks; Everest and NBBL Bank. After the adoption of liberalized and open market policy in the 8th plan, the Nepalese Financial Institutions have boomed in the economy since last few years. With the rapid growth in the banking sector, consumer lending, specifically housing loan and auto-loan has increased rapidly due to the lesser risk and higher profit involved. Consumer lending is an important service provided by Commercial Banks.

The major banks, which are aggressively marketing the product auto-loan viz. NBBL, Everest Bank, Laxmi Bank Ltd. etc. In order to cope with the high competition, EVEREST and NBBL have recently extended the loan up to 5 years. The longer tenor has been a sensitive issue with the customers and auto dealers as this result in lower EMI (Equal Monthly Installment), which in turn makes such loans affordable. Thus the competition is very high in the market.

Moreover, the interest rates charged on auto-loans are not stable. It is negotiable between the bank and its customers. Thus interest rates fluctuate from customer to customer depending on the bargaining power of the dealers of the vehicle.

Besides these, another problem that banks are facing is the events of default from its customers. In order to minimize such defaults, many banks have formed collection unit but the recovery seems to be minimum.

Due to global financial crisis Nepal will also be affected sooner or later because in

recent years, banks and financial institutions have grossly exposed their portfolio on housing and auto loan. So, NRB can control them on investing on non-productive sector which will effect on auto loan.

In this study, primary and secondary data are collected and both financial and statistical tools are used for the analysis of the data. The instructions used in this research are mainly statistical as it shows the pie-chart and bar diagram of the surveyed questionnaire.

Since this research attempts to portray the true picture of auto loan in the market, it is directly related to banking industry. While talking about the banking industry there are 28 commercial banks operating in Nepal. Hence, sampling is done selecting from the population of 28 commercial banks, out of which 2 banks are selected for the purpose of this study: NBBL and Everest Bank Ltd.

Similarly as this research also tries to show the competitiveness of the two banks on the product; auto loan; a sample of 25 customers from each of the banks has been taken, which means that total of 50 customers has been interviewed for the survey purpose in the study. The secondary sources have been used for the knowledge about auto-loan schemes, types of auto-loan offered in the market, strategies adopted by the banks and financial institutions.

This study also raises some issues to be examined, which are as below:

- What is the impact in the interest rates in auto-loan due to the tie up of banks with auto dealers?
- What are the competitive advantages of individual banks?
- Which bank is more competitive from customers' view point?
- How does loan tenure affect the EMI?
- How moratorium period affect the interest rates in auto-loan?

The study meets the answer to the above questions which are as below:

Banks' tie up with automobile dealers under particular understanding for their individual benefits makes a positive impact to the interest rates charged to the

borrowers. The interest rates charged by the banks are reduced to a certain extent for which the deference of the rate is balanced by the automobile dealers to the bank. In this situation all the three parties are in win-win situation because customers are benefited with low interest rate, banks are benefited with no difference in interest rate (as the difference interest rate is covered by the auto-mobile dealers) and the dealers are benefited with increase in sales turnover and wide range of advertisement of their products.

Moreover, customers are also discounted for the processing and documentation charge by the bank. E.g. Everest Bank does not take processing or any documentation charge for the customers of Maruti cars. Similarly, NBBL has a tie up with Hyundai dealers. So for private car buyers of Hyundai Company the bank charges only 3 percent interest rate with 90 percent finance and no interest rate in 50 percent finance. As per the secondary data and the customer survey, the researcher found that most of the private small car users prefer Maruti cars due to the affordability, lesser fuel consumption and its marketing. This might be the reason why the customers of Everest Bank find it more flexible and easier and hence are more satisfied with its service.

The competitive advantage of NBBL is faster service, specialized staff, less processing charge or sometimes nil in high value cars, and more reliable source of financing. Everest Bank is more flexible, in terms of documentation and customer satisfaction and faster customer service.

Loan tenure is the term or the time period for which loan is provided NBBL and Everest provides 5 years of loan tenure that is 60 EMI. More the tenure period, lesser will be the amount to be paid every month. So the borrower will have lesser burden while repaying the loan. Hence in terms of loan tenure EBL and NBBL Bank has provided better facility than other banks. Longer the moratorium period more interest has to be paid by the borrower of the used amount. The repayment starts only after the moratorium period is completed.

The study also found that the age group between 40-50 is more interested in taking auto-loan than people of any other ages as they are generally successful working people who have the capacity to purchase a vehicle and pay the interest. Similarly,

businessmen are more into taking auto-loan than any other profession especially from NBBL Bank that involves slightly higher risk compared to other professions. Married and settled people are more prone to take auto-loan as they have willingness as well as purchasing power.

The percentage of married respondents in NBBL bank is higher than in Everest bank which indicates that NBBL bank faces slightly lesser risk in this regard. Friends and auto dealers were respectively the first and second important influencing factors while choosing the banks.

The customers of Everest bank are slightly more tilted towards the satisfaction level. But in overall, most of the customers of both the banks were moderately satisfied with their auto-loan service.

5.2 Conclusion

Auto-loan is one of the most popular categories of consumer/retail lending which involves less risk, high return and rigorous competition in the Nepalese market scenario.

Now a day the demand for auto-loan is increasing not just due to the increase in the living standard of the people, but also due to the easy lending process, lesser EMI, longer tenure and more competitiveness and better service.

The variables like interest and other charges, loan tenure, equal monthly installments (EMI), down payments and moratorium period (only for commercial vehicles) are analyzed for determining the auto-loan market in Nepal with reference to EBL and NBBL.

Through the customer survey and the use of statistical tools, the researcher concluded that on the average age group of people who are more prone to take auto-loan is of the age 40 years old, 50 percent of the people who are interested in auto-loan are in the age group of 40-45 years, the age group beyond 42 years old is the most frequent users of auto-loan, the standard deviation is 7.81 and the coefficient is 61.

From the study, it was found that among various professions, businessmen are the

most willing to take auto-loan from banks though banks prefer to provide auto-loan to professionals like doctors and engineers due to their stable income and lesser default risk. The study also concludes that married people are more prone to take auto-loans and they mostly prefer to take loans for small family cars like Hyundai and Maruti. Friends are the most influencing source of information people consider while taking auto-loan and similarly interest rate is the first and the foremost thing that people consider while choosing a bank for auto-loan. The process of dealing with customers is quite similar, both the banks seem to have friendly, but still from the analysis, as per the customers' view point, the procedure of NBBL bank is quite lengthy as it always sticks to its systems and procedures.

While the services are concerned, it seems that both the Banks are providing similar services. There also seem rooms for improvement in services as there are quite a number of respondents who seem to be less and not satisfied at all from the services provided by both the Banks.

Thus both the banks; Everest and NBBL bank, have similar kind of service, similar level of peoples' satisfaction, negligible difference in interest charged and percentage financed in various categories of auto-loan.

The investment of NBBL in auto-loan is more than that of Everest Bank. This might be the reason that NBBL bank's market share of auto-loan is higher than any other banks. But still in all other terms, both the banks seem to be competitive enough in the Nepalese auto-loan market.

5.3 Recommendation

Based on the finding and conclusions, the following recommendation has been forwarded:

Market is very competitive and aggressive in auto loan. In order to cope up with the high competition banks should focus on tenure because it has been very sensitive issue for all the customers. Since the time I have started this thesis to till the end EVEREST bank has extended its tenure period from 5 yrs to 6 yrs and recently up to 8 yrs. From this also we can analyze the sensitiveness of tenure.

Auto loan is directly base on good marketing and sales. It's not only long tenure and

low interest that attracts the customer it's also about the good customer service. Every bank should focus on good customer service; customer should feel comfort that they want to deal with this bank.

Global financial crisis is affecting the world in different ways directly and indirectly. Big Country like USA is affected very hardly, only this year's first quarter AIG loosed its another sixty billion dollar due to banks have grossly exposed their portfolio on real estate sector. Sooner or later Nepal will also be affected because they have also grossly exposed their portfolio on housing and auto loan. Banks should wisely invest on non-productive loan otherwise they will also face the consequences.

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www.loan.com.np

www.ebl.com

www.nbbl.com.np

www.nrb.org.np

APPENDIX –I

Brief Profile of Everest Bank

EBL established in 1994 and started its operation with its first branch at Naya Baneshwor, Kathmandu with a small capital. Now its Head office is situated Lazimpat Kathmandu with view and objective of extending professionalized and efficient banking services to various segments of the society, EBL joined hands with Punjab National Bank (PNB) India as its joint venture partner in 1997. PNB is the largest public sector Bank of India having more than 100 years of banking history with more than 6,000 branches and 7000 ATMs spread all across the India. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement all over India and is known for its strong systems and procedures and a distinct work culture. EBL has been steadily growing in its size and operation ever since its inception and today it has established itself as a leading private sector bank of the nation.

Everest Bank Limited (EBL) provides customer-friendly services through its wide Network connected through ABBS system, which enables customers for operational transactions from any branches. The bank has 53 Branches, 74 ATM Counters, 5 extension counter & 22 Revenue Collection across the country making it a very efficient and accessible bank for its customers.

The Nepalese promoters hold 50% stake in the bank's equity, while 20% of equity is contributed by joint venture partner Punjab National Bank and remaining 30% is held by the public.

Objectives of the Bank

Everest has a mission which states-“we will become the pioneer in the financial community committed to economic development of the society.” In order to fulfill this mission Everest has been operating with the objectives of:

- To provide efficient and innovative services to the customers.
- To generate adequate resources for expansion and growth.
- To ensure optimum development of their human resources.
- To earn recognition as professionals from the society.

Products and Services

Everest provides a full range of commercial banking services through its outlets spread across the nation and reputed correspondent banks across the globe. Moreover, Everest has a good name in the market for its highly personalized services to customers. The services it provides to its customers are:

- **Loan**
 1. **Working Capital Loan:** Overdraft / Short term loans to finance your day-to- day business activities. Basically, this loan will help you to build up inventory and receivables to a desired level, against which the loan will be disbursed.
 2. **Fixed Capital Loan:** This loan helps to finance projects or acquire fixed assets; they always open to finance their requirements. Generally, this is a long term loan for acquiring or purchasing machinery, equipment, land and building. The tenure of repayment is cash flow based.
 3. **Import Loan:** For financing international and local trade transactions through letter of credit, they provide finance to import goods in the form of trust receipt or time loan, bank's acceptance etc. They facilitate you to import using our extensive banking network around the globe.
 4. **Bills discounting facility Under Suppliers Credit:** They offer discounting facilities to suppliers against the import usance bills.
 5. **Export Loan:** They have different products to finance on their client's funding requirement for completion of various stages of their export processes such as pre-shipment loan, post-export loan (post-shipment loan), negotiation / documentary bill purchase etc. Such credit facility can be availed in foreign currency as well as local currency.
 6. **Hire Purchase:** They finance the purchase of vehicles, exclusively used for commercial purpose.
 7. **Project Finance:** For any feasible project, they provide funding from fixed capital to working capital loan - right from the establishment stage which may include financial services like letter of credit and

guarantee.

8. **Consortium/Syndication Loan:** With their expertise in diverse field of business they are capable of arranging consortium finance / loan syndications for large projects.

9. **Mortgage Loan:** They provide loans for any purpose by mortgaging land and building.

- **Personal Lending:** Their personal lending unit is located at Lalitpur Branch, and is committed to provide with top-notch services when it comes to personal financial needs. Whether we need to buy our dream house or our fast car, need to mortgage our house for money for any reason or need funds for household items, we are more than welcome.

I.Housing Finance: They provide finance for purchase or construction of land and house. The following are the features of housing finance scheme.

S.N.	Products	Loan Amount	Loan Tenor	Financial Ratio
1.	Land Purchase	5 - 80 lakhs	upto 20 years	70% of distress value of property
2.	Land & Building Purchase	5 - 80 lakhs	upto 20 years	70% of distress value of property
3.	Construction	5 - 80 lakhs	upto 20 years	70% of construction cost
4.	Renovation / Extension	3 - 15 lakhs	upto 20 years	70% of renovation cost
5.	Refinancing (loan take over)	5 - 80 lakhs	upto 20 years	70% of distress value of property

Other Features:

- Collateral for all above products required
- At least 8 feet wide, motor able access to the land
- Land to be free of guthi or mohi
- Land to be far from high tension line
- Third Party Collateral not acceptable

- **Prepayment & ServiceCharges:**
 - a. 2% of amount prepaid before 1 year
 - b. 1% of amount prepaid after 1 year
 - c. Partial payment allowed after 1 year only
 - d. Service Charge: 1% of loan amount up front
- **Loan Documentation Fee:**
 - a. NPR 1,500 upto NPR 1 million loan
 - b. NPR 3,000 upto NPR 10 million loan
 - c. NPR 5,000 above NPR 10 million loan

II. Auto Finance: They provide finance for purchase of vehicles - be it for personal or commercial purpose. The following are the features of auto finance scheme.

S.N.	Products	Loan Amount	Loan Tenor
1.	Private	3 - 60 lakhs	Upto 5 years to 7 years
2.	Commercial	3 - 60 lakhs	Upto 4 years
3.	Used	3 - 60 lakhs	Maximum 4 years
4.	Refinancing	3 - 25 lakhs	Age of the vehicle should not exceed maximum 7 years at the time of loan maturity.

Other Features:

- **Processing fee:** 1% of the loan amount payable up front.
- **Prepayment:** Allowed after 1 year only with prepayment fee as 1% of the amount prepaid.
- **Age Criteria:** from 21 years to 65 years at loan maturity.

III. Everest Property: With Everest Property, they provide funds for any purpose. The following are the features of Everest Property.

Loan Amount	Loan Tenor	Financial Ratio	Age Criteria
5-50 lakhs	Upto 10 years	70% of distress value of property	25 to 65 years at loan maturity

Other Features:

- Collateral required
- At least 8 feet wide, motor able access to the land
- Land to be free of guthi ormohi
- Land to be far from high tension line
- Third Party Collateral not acceptable

Eligibility:

- Any individual having steady regular income source.

Loan Documentation Fee:

- NPR 1,500 up to NPR 1 million loan
- NPR 3,000 up to NPR 10 million loan
- NPR 5,000 above NPR 10 million loan

Prepayment Fee:

- 2% of amount prepaid before 1 year
- 1% of amount prepaid after 1 year

Partial payment allowed after 1 year only

Service Charge: 1% of loan amount up front

Age Criteria for co-applicant is 21 years at the time of application received and not older than 75 years at loan maturity.

IV. Personal Finance: With personal finance scheme, you they provide money to purchase household items. The following are the features of personal finance scheme.

Eligibility: Service holder having permanent service terms or contract basis at least covering the loan tenure and the employer should be in a position to provide an undertaking to transfer the fund to the Bank for EMI.

Loan Amount 2 lakhs to 10 lakhs

Loan Tenure upto 3 years

Purpose: For the purchase of household items

Processing fee 1% of the loan amount payable up front

Prepayment Allowed after 6 months

- **Trade Finance:** Import LC, Export LC, Forward Contract, Bid Bond, Performance Bond, Counter G'tee, Advance Payment G'tee, Shipping Indemnity.
- **Deposit:** Current, Cal, Time, Normal Saving, Provident Fund, Retirement Fund
- **Remittance:** SWIFT Transfer, Western Union, E-Remittance(Qatar/Doha), Travelers Cheque, Bank Draft, Mail Transfer, Manager's Cheque, Anywhere Branch Banking.
- **Cards & ATMs:** MasterCard Local, MasterCard International, VISA Local, Diners Card, For Travel (Against Passport Facility), VISA Electron/ATM Card, Everest Prepaid Card, Acquiring Business.
- **E-Banking:** Everest Net, Everest Tele.
- **Clean Bills:** Clearing, Bill Purchase, and Bill Collection.
- **Others:** US Visa Fee, Safe Deposit Locker, Balance Certificate, Advance Payment Certificate.

APPENDIX –II

Brief Profile of Nepal Bangladesh Bank Ltd.

NBBL has a joint venture commercial bank with IFIC Bank Ltd. of Bangladesh was established in the year 1994. The bank after completion 20 years of operations has the highest number of 23 branches with in the country. Nepal Bangladesh bank is the first private sector commercial bank. NBBL is the sixth joint venture bank of Nepal. The understanding was signed on June 3, 1993 and the letter of interest for the establishment of bank was received from Nepal Rastra Bank (NRB) on December 27, 1993, Accordingly Nepal Bangladesh Bank Ltd. was registered in the office of the registrar of companies on January 14, 1994. On the basis of memorandum of understanding a joint venture agreement and a technical services agreement were signed on April 8, 1994. Shares of the bank are listed in Nepal Stock Exchange Ltd. since 1995.

NBBL started its shareholding pattern is Bangladesh international finance investment and commercial bank (IFIC) is 50%, general public by 30% and local promoters 20%.

Nepal Bangladesh Bank has been providing various services to the public which are deposit, education loan, bank guarantee, hire purchase loan, letter of credit, locker facility, Grihini bachat khata, housing loan, SMS banking, term loan, remittance services all over the world, underwriting of shares, trade finance, bills purchase, and working capital loan. The bank has 23 branches and 27 ATMs.

To offer financial services and become the “bank for everyone” by dedicating the progress and growth of the bank to the community, customers, employees and stockholders by:

- Fulfilling financial expectation of all level of society
- Providing excellent customer services by offering personalized quality services and products
- Giving reasonable returns to all related stakeholders
- Using the latest technology aimed at customer satisfaction & act as an effective catalyst for socio-economic developments
- Maintaining high standard corporate governance in all levels

Core Values and Code of Conduct/Ethical Principles

The Bank has defined following core values for achieving the vision and mission:

- Deliver quality and complete financial services
- Provide value to the stakeholders
- Be accountable for delivering what we promise
- Demonstrate honesty and integrity in all actions
- Be balanced in customer orientation and risk consciousness
- Be efficient and technology oriented

Products and services offered by the Bank is as follows:

- Current, savings, Fixed Deposit account.
- Premier banking
- eBanking
- Credit Card, debit card, Travel Card and Prepaid Card Services.
- 24 Hour ATM services.
- Safe Deposit lockers
- Foreign Exchange Services - Issuance/purchase of Travelers Cheques
- Extra Banking - 365 days banking.
- NTC mobile bill payment
- Loan

APPENDIX –III

Questionnaire

A research project undertaken in partial fulfillment of the requirements for the Master's degree in Business Administration.

Dear Sir/Madam,

I am conducting a study titled "Comparative Study on Auto Loan Provided by Everest Bank Ltd and Nepal Bangladesh Bank Ltd". I'll be very grateful if you could kindly respond to this questionnaire. It will be helpful for my thesis writing. Your kind co- operation in this regard will be highly appreciable.

Thank you.

Name (Optional):

1. Gender:
 - a. Male
 - b. Female

2. Age:
 - a. below18
 - b. 18-30
 - c. 30-40
 - d. above 40

3. Marital Status:
 - a. Married
 - b. Un-married

4. Level of Education:
 - a. SLC
 - b. 10+2
 - c. Bachelor
 - d. Master
 - e. Doctorate

5. Personal Monthly Income:
 - a. <10,000
 - b. 10,000-20,000
 - c. 20,000-40,000
 - d. >40,000

6. Occupation:
 - a. Doctor
 - b. Personal Business
 - c. Service in Public & Private Sector
 - d. Engineers
 - e. Any other
7. If you have surplus money to invest, in which area would you like to invest?
 - a. Real Estate
 - b. financial assets
 - c. Auto Mobile
 - d. Any other
8. Which way you prefer to buy automobile?
 - a. Auto Loan
 - b. Full cash Payment
 - c. None
 - d. Any other
9. Which Financial Institution would you prefer for Auto Loan?
 - a. Banking
 - b. Finance Company
 - c. Co-operative Company
 - d. Any other
10. On which basis you take the decision to choose the Company?
 - a. Friends
 - b. Auto Dealers
 - c. Marketing
 - d. Web Site
11. As a customer would you like to go for Auto Loan?
 - a. Yes
 - b. No
12. Percentage of loan taken out of total amount.
 - a. 90%
 - b. 80%
 - c. 70%
 - d. others
13. What do you think of procedure of taking Auto-Loan from the bank?
 - a. Easy
 - b. Very Lengthy
 - c. Friendly Dealing
 - d. Fast
 - e. Simple

14. Are you satisfied with Auto-Loan service of bank?

a. Strongly Satisfied

b. Satisfied

c. Neutral

d. Dissatisfied

e. Strongly dissatisfied

Appendix IV

Mr. Shrestha is planning to buy new family. Since he can't afford full payment, he is buying it through bank financing. He is buying it in the occasion of "New Year 2069". Its cost is Rs.1500000 and with 80% finance, 9.5% interest and 5 yrs tenure.

Here is his Amortization Schedule.

Year	Month	Installment	Interest	Principal	Balance Loan Amount
					1200000
2069	Baisakh	25202	9500	15702	1184298
	Jestha	25202	9376	15827	1168471
	Ashad	25202	9250	15952	1152519
	Shrawan	25202	9124	16078	1136441
	Bhadra	25202	8997	16205	1120236
	Aswin	25202	8869	16334	1103902
	Kartik	25202	8739	16463	1087439
	Mangsir	25202	8609	16593	1070846
	Poush	25202	8478	16725	1054121
	Magh	25202	8345	16857	1037264
	Falgun	25202	8212	16991	1020273
	Chaitra	25202	8077	17125	1003148
2070	Baisakh	25202	7942	17261	985888
	Jestha	25202	7805	17397	968490
	Ashad	25202	7667	17535	950955
	Shrawan	25202	7528	17674	933282
	Bhadra	25202	7388	17814	915468
	Aswin	25202	7247	17955	897513
	Kartik	25202	7105	18097	879416
	Mangsir	25202	6962	18240	861176
	Poush	25202	6818	18385	842791
	Magh	25202	6672	18530	824261
	Falgun	25202	6525	18677	805584
	Chaitra	25202	6378	18825	786760
2071	Baisakh	25202	6229	18974	767786
	Jestha	25202	6078	19124	748662
	Ashad	25202	5927	19275	729387
	Shrawan	25202	5774	19428	709959

	Bhadra	25202	5621	19582	690377
	Aswin	25202	5465	19737	670640
	Kartik	25202	5309	19893	650747
	Mangsir	25202	5152	20050	630697
	Poush	25202	4993	20209	610488
	Magh	25202	4833	20369	590119
	Falgun	25202	4672	20530	569588
	Chaitra	25202	4509	20693	548895

Year	Month	Installment	Interest	Principal	Balance Loan Amount
2071	Baisakh	25202	4345	20857	528038
	Jestha	25202	4180	21022	507016
	Ashad	25202	4014	21188	485828
	Shrawan	25202	3846	21356	464472
	Bhadra	25202	3677	21525	442947
	Aswin	25202	3507	21696	421251
	Kartik	25202	3335	21867	399384
	Mangsir	25202	3162	22040	377343
	Poush	25202	2987	22215	355129
	Magh	25202	2811	22391	332738
	Falgun	25202	2634	22568	310170
	Chaitra	25202	2456	22747	287423
2072	Baisakh	25202	2275	22927	264496
	Jestha	25202	2094	23108	241388
	Ashad	25202	1911	23291	218097
	Shrawan	25202	1727	23476	194621
	Bhadra	25202	1541	23661	170959
	Aswin	25202	1353	23849	147111
	Kartik	25202	1165	24038	123073
	Mangsir	25202	974	24228	98845
	Poush	25202	783	24420	74425
	Magh	25202	589	24613	49812
	Falgun	25202	394	24808	25005
	Chaitra	25202	198	25004	0