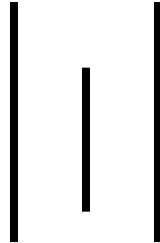
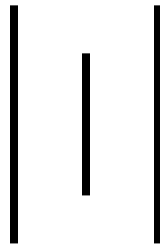


A STUDY ON DEPOSIT MOBILIZATION
(A COMPARATIVE STUDY OF HIMALAYAN BANK LIMITED AND
EVEREST BANK LIMITED)



SUBMITTED BY:
Rajendra Kadariya
Shanker Dev Campus
Roll No: 1669-059
T.U. Regd. No: 32524-94



A Thesis Submitted to:
Office of the Dean
Faculty of Management
Tribhuvan University

In partial fulfillment of the requirements for the Degree of
Master's of Business Studies (MBS)

Putalisadak, Kathmandu
March, 2009

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Rajendra Kadariya

Entitled

A Study on Deposit Mobilization

(A Comparative Study of Himalayan Bank Ltd and Everest Bank Ltd.)

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

.....
(Achyut Raj Bhattarai)
Thesis Supervisor

.....
(Dr. Kamal Deep Dhakal)
Campus Chief

.....
(Shree Bhadra Neupane)
Thesis Supervisor

VIVA- VOCE SHEET

We have conducted the viva- voce examination of the Thesis

Submitted by:

Rajendra Kadariya

Entitled

A Study on Deposit Mobilization

(A Comparative Study of Himalayan Bank Ltd and Everest Bank Ltd.)

and found the thesis to be the original work of the student written in accordance with the prescribed format. We recommend the Thesis to be accepted as partial fulfillment of the requirement for Master's Degree of Business Studies (MBS)

Viva - Voce Committee

Chairperson, Research Committee:

Member (Thesis Supervisor):

Member (Thesis Supervisor):

Member (External Expert):

Date:.....

DECLARATION

I hereby, declare that the work reported in this thesis entitled **A Study on Deposit Mobilization (A Comparative Study of Himalayan Bank Ltd. and Everest Bank Ltd.)** submitted to Research Department of Shanker Dev Campus, Putalisadak, T.U., is my original work done in the form of partial fulfillment of the requirements for the Masters of Business Studies (MBS) under the supervision of Lecturer **Shree Bhadra Neupane** and Lecturer **Achyut Bhattarai** of Shanker Dev Campus, T.U.

Date:.....

Rajendra Kadariya
Shanker Dev Campus
Roll No: 1669-059
T.U. Regd. No: 32524-94

ACKNOWLEDGEMENT

This research **A Study on Deposit Mobilization (A Comparative Study of Himalayan Bank Ltd. and Everest Bank Ltd.)** has been prepared for the partial fulfillment of the requirement for Master Degree in Business Studies. It is really an appreciable curriculum of T.U. because it helps the students to express their theoretical concept achieved during the study period into the practical field.

First of all, I would like to express my deep gratitude to my thesis supervisors **Shree Bhadra Neupane** and **Achyut Raj Bhattarai** of Shanker Dev Campus, for providing guidance and suggestions in all the time of research.

I would like to express my hearty thanks to family of Nepal Stock Exchange Ltd., Security Board, Himalayan Bank Limited and Everest Bank Limited providing me data as well as suggestions. The staff of Everest Bank Ltd. named Abhisek Dhakal help was admirable. I would like to express my sincere thanks to library staffs of Shankar Dev Campus for their ready assistance.

Finally, I would like to express my gratitude to all of my friends and family members who provided me continuous inspiration as well as contribution for my achievement. And I am thankful to all those who have helped me directly and indirectly to complete this research work.

Rajendra Kadariya
Banasthali, Kathmandu

TABLE OF CONTENTS

Viva-Voce Sheet	
Recommendation	
Declaration	
Acknowledgement	
List of Tables	
List of Figures	
Abbreviation	
	Page No.
CHAPTER-I	
INTRODUCTION	1-13
1.1 Background of the Study	1
1.2 Development of Banks	2
1.2.1 In Worldwide Context	2
1.2.2 In Nepalese Context	2
1.3 Introduction of Commercial Bank	3
1.3.1 Commercial Banking Scenario in Nepal	4
1.4 Focus of the Study	5
1.5 Profile of the Concerned Banks	6
1.5.1 Himalayan Bank Ltd.	6
1.5.2 Everest Bank Ltd.	8
1.6 Statement of the Problems	9
1.7 Objectives of the Study	11
1.8 Significance of the Study	11
1.9 Limitation of the Study	12
1.11 Organization of the Study	12
CHAPTER-II	
REVIEW OF LITERATURE	14-36
2.1 Concept	14
2.1.1 Concept of Commercial Bank	15

2.1.2 Functions of Commercial Banks	15
2.1.3 Concept of Deposit	17
2.1.4 Concept of Deposit Mobilization	19
2.1.5 Requirement for Deposit Mobilization	23
2.1.6 Advantages of Deposit Mobilization	23
2.1.7 Features of Sound Lending and deposit Mobilization Policy	25
2.1.8 Meaning of Some Important Terminologies	27
2.2 Review of Related Studies	29
2.2.1 Review of journals, research papers and previous studies	29
2.2.2 Review of Thesis	32

CHAPTER-III

RESEARCH METHODOLOGY 37-52

3.1 Introduction	37
3.2 Research Design	37
3.3 Sources of Data	38
3.4 Nature of Data	38
3.5 Population and Sample	38
3.6 Data Analysis Tools	39
3.6.1 Financial Tools	40
3.6.2 Statistical Tools	48

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA 53-97

4.1 Deposit Collection and Mobilization	53
4.2 Ratio Analysis	56
4.2.1 Liquidity Ratios	56
4.2.1.1 Cash and Bank Balance to Total Deposit	56
4.2.1.2 Cash and Bank Balance to Current Assets	57
4.2.1.3 Investment on Government Securities to Current Assets	58
4.2.2 Assets Management Ratios	59
4.2.2.1 Loan and Advances to Total Deposit	59

4.2.2.2 Total Investment to Total Deposit	60
4.2.2.3 Loan and Advances to Total Assets	61
4.2.2.4 Investment on Government Securities to Total Assets	62
4.2.2.5 Investment on Shares and Debentures to Total Assets	65
4.2.3 Profitability Ratios	66
4.2.3.1 Return on Loan and Advances	66
4.2.3.2 Return on Total Assets	67
4.2.3.3 Total Interest Earned to Total Assets	68
4.2.3.4 Total Interest paid to Total Assets	69
4.2.4 Risk Ratios	70
4.2.4.1 Liquidity Risk Ratio	70
4.2.4.2 Credit Risk Ratio	71
4.2.5 Growth Ratios	72
4.2.5.1 Growth Ratio of Total Deposits	72
4.2.5.2 Growth Ratio of Total Investment	73
4.2.5.3 Growth Ratio of Loan and Advances	74
4.2.5.4 Growth Ratio of Net Profit	75
5.3 Analysis of Sources and Uses of Funds	76
4.3.1 Analysis of Sources and Uses of Funds of HBL	76
4.3.2 Analysis of Sources and Uses of Funds of EBL	77
4.4 Analysis of Cash Flow	80
4.4.1 Cash Flow Analysis of HBL	80
4.4.2 Cash Flow Analysis of EBL	81
4.4.4 Cash Flow Analysis from Operating Activities (CFOA)	83
4.4.5 Cash Flow Analysis from Investing Activities (CFIA)	84
4.4.6 Cash Flow Analysis from Financing Activities (CFFA)	85
4.5. Correlation Analysis	85
4.5.1. Analysis of Correlation Coefficient between Deposits and Total Investment	85
4.5.2 Analysis of Correlation Coefficient between Deposits and Loan and Advances	86
4.6 Trend Analysis	87
4.6.1 Trend Analysis of Total Investment to Total Deposits Ratio	87
4.6.2 Trend Analysis of Loan and Advances to Total Deposits Ratio	88
4.7 Test of Hypothesis	89

4.7.1 Test of Hypothesis on Loans and Advances to Total Deposit	89
4.7.2 Test of Hypothesis Total Investment to Total Deposit Ratio	91
4.8 Major Findings of the Study	93

CHAPTER-5

SUMMARY, CONCLUSION AND

RECOMMENDATIONS

98-104

5.1 Summary	98
-------------	----

5.2 Conclusion	98
----------------	----

5.3 Recommendations	100
---------------------	-----

BIBLIOGRAPHY

APPENDICES

LIST OF TABLES

<u>Table No.</u>	<u>Title of Tables</u>	<u>Page No.</u>
1.1.	List of Licensed Commercial Banks	5
1.2.	The ownership of HBL	7
1.3.	The present capital structure of HBL	7
1.4.	The ownership of EBL	9
1.5.	The present capital structure of EBL	9
4.1	Change based Index of deposit collection of HBL and EBL	53
4.2	Change based Index of Total investment of HBL and EBL	54
4.3	Change based Index of loan and advance of HBL and EBL	55
4.4	Comparative Cash and Bank Balance to Total Deposit Ratios	56
4.5	Comparative Cash and Bank Balance to Current Assets Ratios	57
4.6	Comparative Investment on Government. Sec. to Current Assets	58
4.7	Comparative Loan and Advances to Total Deposit Ratios	59
4.8	Comparative Total Investment to Total Deposit Ratios	60
4.9	Comparative Loan and Advances to Total assets Ratios	61
4.10	Comparative Investment on Government Securities to Total assets Ratios	62
4.11	Total Deposits, Total Investment, total Loan & Advances and cash and bank balance of HBL	63
4.12	Total Deposits, Total Investment, total Loan & Advances and cash and bank balance of EBL	64
4.13	Comparative Investment on Shares and Debentures to Total assets Ratios	65
4.14	Comparative Return on Loan and Advance Ratio	66
4.15	Comparative Return on Total assets Ratios	67
4.16	Comparative Interest earn to Total assets Ratios	68
4.17	Comparative Total Interest paid to Total assets Ratios	69
4.18	Comparative Liquidity risk Ratios	70
4.19	Comparative Credit Risk Ratios	71
4.20	Comparative Ratio of Total deposit	72
4.21	Comparative Ratio of Total Investment	73
4.22	Growth Ratio of Loan and Advances	74
4.23	Growth Ratio of Net Profit	75

4.24	Percentage of Various Sources of Funds from Total Sources of HBL	76
4.25	Percentage of Various Uses of Funds from Total Uses of HBL	76
4.26	Percentage of Various Sources of Funds from Total Sources of EBL	77
4.27	Percentage of Various Uses of Funds from Total Uses of EBL	77
4.28	Cash Flow from different Banking Activities of HBL	80
4.29	Cash Flow from different Banking Activities of EBL	81
4.30	Comparative Cash Flow from Operating Activities of HBL and EBL	83
4.31	Comparative Cash Flow Analysis from Investing Activities	84
4.32	Comparative Cash Flow Analysis from Financial Activities	85
4.33	Correlation Coefficient between Deposits and Total Investment	86
4.34	Correlation Coefficient between Deposits and Loan and Advances	86
4.35	Trend Values of Total Investment to Total Deposit Ratio of HBL & EBL	87
4.36	Trend Values of Loan and Advances to Total Deposit Ratio of HBL & EBL	88
4.37	Test of Hypothesis on Loans and Advances to Total Deposit ratios	89
4.38	Test of Hypothesis on Total Investment to Total Deposit ratios	91

LIST OF FIGURES

<u>Figure No.</u>	<u>Title of Figures</u>	<u>Page No.</u>
3.1.	Sources and Uses of Funds	47
3.2.	Flow of Cash in a business	48
4.1	Deposit Collection of HBL & EBL	53
4.2	Investment of HBL and EBL	54
4.3	Loan and Advance of HBL & EBL	55
4.4	Cash and Bank Balance to Total Deposit	56
4.5	Cash and Bank Balance to Current Assets	57
4.6	Investment on Government Securities to Current Assets	58
4.7	Loan and Advances to Total Deposit	59
4.8	Total Investment to Total Deposit	60
4.9	Loan and Advances to Total assets	61
4.10	Investment on Government Securities to Total assets	62
4.11	Total Deposits, Total Investment, total Loan & Advances and cash and bank balance of HBL	63
4.12	Total Deposits, Total Investment, total Loan & Advances and cash and bank balance of EBL	64
4.13	Investment on Shares and Debentures to Total assets	65
4.14	Return on Loan and Advance Ratio	66
4.15	Return on Total assets ratio	67
4.16	Total Interest Earned to Total assets Ratios	68
4.17	Total Interest paid to Total assets Ratios	69
4.18	Liquidity risk Ratios	70
4.19	Credit Risk Ratios	71
4.20	Growth Ratio of Total deposit	72
4.21	Growth Ratio of Total Investment	73
4.22	Growth Ratio of Loan and Advances	74
4.23	Growth Ratio of Net Profit	75
4.24	Sources of Funds of HBL and EBL based on Mean Ratio	78
4.25	Source of fund of EBL	78
4.26	Uses of Funds of HBL and EBL based on Mean Ratio	79

4.27	Uses of fund of EBL	79
4.28	Cash Flow of HBL	81
4.29	Cash Flow of EBL	82
4.30	Comparative CFOA of HBL and EBL	83
4.31	Comparative CFIA of HBL and EBL	84
4.32	Comparative CFFA of HBL and EBL	85
4.33	Total Investment to Total Deposit	88
4.34	Loan and Advance to Total Deposit	89

ABBREVIATION

A.D.	=	Anno Domini
ATM	=	Automatic Teller Machine
B.S.	=	Bikram Sambat
CFFA	=	Cash Flow from Financial Activities
CFIA	=	Cash Flow from Investment Activities
CFOA	=	Cash Flow from Operating Activities
CRR	=	Cash Reserve Ratio
CV	=	Coefficient of Variation
EBL	=	Everest Bank Limited
FC	=	Foreign Currency
FY	=	Fiscal Year
HBL	=	Himalayan Bank Limited
JVBs.	=	Joint Venture Banks
L.C.	=	Letter of Credit
Ltd.	=	Limited
MAST	=	Marketability, Ascertain ability, Stability and Transferability
Misc.	=	Miscellaneous
NAB	=	Nepal Arab Bank Limited
NBBL	=	Nepal Bangladesh Bank Limited
NEPSE	=	Nepal Stock Exchange
NIC	=	Nepal Industrial and Commercial
NIDC	=	Nepal Industrial and Development Corporation
NRB	=	Nepal Rastra Bank
P.F.	=	Provident Fund
PE	=	Probable Error
PNB	=	Punjab National Bank
RBB	=	Rastriya Banijjya Bank
SCBL	=	Standard Chartered Bank Ltd.
SD	=	Standard Deviation
SMS	=	Short Message Service
SWIFT	=	Society for World Wide International Financial Transaction
T.T.	=	Telegraphy Transfer
T.U.	=	Tribhuvan University
Viz.	=	Such as