

DEPOSIT MOBILIZATION OF NEPAL INVESTMENT BANK LTD.

A THESIS

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RECOMMENDATION

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DECLARATION

I hereby declare that the work reported in this thesis entitled “**Deposit Mobilization of Nepal Investment Bank Ltd.**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervision of **Puspa Raj Ojha** of **Nepal Commerce Campus**, T.U.

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ABBREVIATIONS

ADB	Agriculture Development Bank Ltd.
BAFIA	Bank and Financial Institutions Act
CA	Current Assets
CL	Current Liabilities
EBL	Everest Bank Ltd.
HBL	Himalayan Bank Ltd.
NBL	Nepal Bank Ltd.
NEPSE	Nepal Stock Exchange
NIBL	Nepal Investment Bank Ltd.
NP	Net Profit
NRB	Nepal Rastra Bank
RBB	Rastriya Banijya Bank Ltd.
TA	Total Assets

CHAPTER - I

INTRODUCTION

1.1 General Background of the Study

Commercial banks are the heart of the financial system. They hold the deposits of individuals, government establishment and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms, and government establishments. In doing so, they assist both the flow of goods and services from the producers to consumers and the financial activities of the government. They provide a large portion of medium of exchange and they are the media through which monetary policy is affected. These facts show that the commercial banking system of a nation is very important to the functioning of its economy.

Financial institutions in the economy play a crucial role in the process of economic growth of the country. Financial institution refers to a business concern, which is mainly confined to finance for the development of the trade, commerce and industry. Trade, commerce and industry are the prime factors of the economic development. Bank is financial institution which primarily deals in borrowing and lending. Banking is vital part of national economy and a vehicle for the mobilization of economy's financial resources and extension of credit to the business and service enterprises.

The growth of banking in Nepal is not so long in comparison with other developing countries. Nepal had to wait for a long time to come to the present banking system. The development of any countries cannot be imagined without economic activities. The development of banking system is one of the grounds for economic development. So we should take a bank is interwoven with the development of person, a society and a nation. It is impossible to fulfill the needs without bank whether it is inside the nation or foreign country whether it is individual development or business and whether it is a person or the government. So, to solve the problems relating to economic development, developing of banking system is necessary.

Like goldsmith, merchants and money lenders were the ancient bankers of Nepal. Tejarath Adda established during the tenure of the prime minister Ranodipp Singh (B.S 1933) was the first step towards the intuitional development of banking in Nepal. Tejarath Adda did not collect deposit from the public but give loans to employees and public against the billion.

Banking in modern sense started with the inception of Nepal Bank Limited (NBL) on B.S 1994-7-30 NBL had a herculean responsibility of attracting people towards banking sector from predominant money-lenders net and of expending banking service. Being a commercial bank, it was nature that NBL paid more attention to profit generating business and preferred opening branch at urban centers.

Government however has onus of providing banking services to the nook and corners of the country and also managing financial system in proper way. Thus Nepal Rastra Bank (NRB) was set up on B.S 2013-01-14 as a central bank under Nepal Rastra Bank Act 2012 B.S since then it has been functioning as the government's bank and has contributed to the growth of financial sector. Integrated and speedy development of the country is possible only when competitive banking service reaches nook and corner of country, keeping this in mind government set up Rastriya Banijya Bank (RBB) in B.S 2022-10-10 as fully government owned commercial bank.

The commercial bank had to carry the functions o all the type of financial institution such as to improve people's economic welfare and facility to provide loan to offer banking services to the people and country. Hence, industrial development center (IDC) was set up in 2013 for industrial development Corporation (NIDC), similarly Agricultural Development Bank (ADB) was established in B.S 2024-10-07 to provide finance for agricultural techniques. Moreover, security exchange center was established in 1976 to enhance capital market activities. Securities exchange center was renamed Nepal Stock Exchange (NEPSE) in 1933.

With the establishment of RBB and ADB banking services spread to both urban and rural areas it help the common people reduce their burden of paying higher rate of interest to money lenders absolve them from kowtowing before money lenders. It is natural expectation of customer keep on increasing. Once they got banking services

they were expecting imprudence and inefficiency. However, excess political & bureaucratic interference and absence of modern managerial concept in these institutions was a hurdle in this regard. Banking services to the satisfaction of customer was a far cry. The inception of Nepal Arab bank Limited (Renamed as Nabil Bank Limited) in B.S 2041-03-29 as a first joint venture bank provide to be milestone in the history when ray give a new ray of hope to the sluggish financial sector.

These joint venture banks launched its operation with marketing concept i.e. customer is the king in the market they started knocking the doors of the customer breaking then the trend of knocking the door of bank by a customer. A customer is the most important visitor on our premises. He does not depend on us, we are dependent on him.

The main objective of deposit mobilization is to convert idle saving into active saving. Capital formation is possible through collecting scattered unproductive and small from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important source of capital formation. Collecting scattered amount of capital and investing the deposited fund in productive sector to increase the income of the depositor is meant Deposit Mobilization. In other words, investing the collected fund in the productive sectors and increasing the income of the depositors, it also supports to increase the saving through the investment of increased extra amount.

1.1.1 Highlight of Bank

Bank is a commercial institution, licensed to accept deposits and acts as a safe custodian of the spendable funds of its customers. Banks are concerned mainly with functions of banking i.e. receiving, collecting, transferring, buying lending, investing, dealing, exchanging and servicing (safe deposit, custodianship, agency, trusteeship) money and claims to money both domestically and internationally. The principal activities of a bank are operating current accounts, receiving deposits, taking in and paying out notes of a bank and coins and making loans.

Bank is a financial institute where the money is deposited and supplied to the needy person for their different transaction who comes in the bank to fulfill their

requirement of cash. So, we can say the main game of the play is to play with money and through it generates profit. Actually, the bank collects money from the general public by attracting them with sound interest rate in their deposit. Through the money they have collected from the public they provide loans to the business house, industry and needy people, etc. Now a day bank also provides education and property loans. The bank charges the different interest rate, highly for loan and low to depositors. So, the difference gives actual profit. Just by collecting cash from the saver and providing loans to the investor, we can say that actually the bank acts as an agent between saver and the investor.

Without bank it would be quite impossible for the industrial and entrepreneurs to go directly to general public for getting they are saving from investment. So, the simplest definition is that, bank takes the saving of the public by providing them with certain rates of interest and loans it to needy customer charging them certain rate of interest and earns same profit by doing this inter-mediation. This is the broadest form of banking but in this age banking is such a vague term. It does a lot more than deposits and credits. Remitting of money, issues of the money, guarantee, letter of credit, controlling monetary activities of country, etc, are also major function of the bank.

Till mid-July, 2012 there are all together 32 commercial banks, 88 development banks, and 69 finance companies, 24 micro-credit development banks and 16 saving and credit co-operatives. The number of commercial bank branches operating in the country increased to 1425 in Mid-July 2012 from 1425 in Mid-July 2011. Commercial Banks held dominant share in the major balance sheet components of financial system. Of the total deposits of 1,076,629 million in Mid-July 2012, the commercial banks occupied 80.60% (www.nrb.gov.np).

1.1.2 Profile of Nepal Investment Bank Limited (NIBL)

There are many commercial banks in Nepal's financial market. Nepal Investment Bank, the second joint venture bank of Nepal was established in 1986. Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world. With the decision of Credit Agricole

Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, had acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd. The name of the bank has been changed to Nepal Investment Bank Ltd. upon approval of bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's office with the following shareholding structure.

- A group of companies holding 50% of the capital.
- Rashtriya Banijya Bank holding 15% of the Capital.
- Rashtriya Beema Sansthan holding the same percentage.

The remaining 20% being held by the General Public (which means that NIBL is a Company listed on the Nepal Stock Exchange).

The bank has 40 branches. And bank's target is to open up to 50 branches all over the country. The bank has witnessed encouraging recognition from the market of the new name and management. Bank has been able to enhance its services to its customers by providing them extended banking hours and keeping the bank open for 365 days. The products of the bank namely vehicle financing, Ezee Saving scheme and Locker Services, received favorable responses from the market. Bank has been awarded "Bank of the Year 2003", "Bank of the Year 2005", "Bank of the Year 2008", "Bank of the Year 2010" by London based Financial Times Group's The Banker, Making it the first all Nepali managed bank ever to received the award. The award is based on the growth and performance in terms of capital, assets, and return on equity and management quality. The bank has implemented its own financial switch system which provided online transaction from different delivery channels such as ATM, POS terminals. The bank has set another milestone in introducing updated technology by launching an international "VISA ELECTRON DEBIT CARD" the first of its kind in Nepal, which will provide convenient banking to customers. The card will also give easy access to cash at the bank's ATMs as well as at other bank's ATMs and payments at merchant's establishments having POS terminals.

The first non-government bank to launch loan against gold and silver. It has so far issued over 250,000 cards making it the leader in the industry within a span of over

and half year. The bank has recently launched 'Premier Banking Cell' that caters to its high net worth clients and renders consultancy services in taxation, legal, insurance and travel and tours, NIBL has also started a concept of '15 minute banking for the convenience of its customers. Besides these the effort to introduce updated technology and to deliver to customers the best services, will in near future, introduce an international Credit Card (VISA) for which all preliminary arrangement, namely searching of membership, approval etc have already achieved. Bank expects to launch the credit cards with in fiscal year an application has also been forwarded to Master card for acquiring and issuing business. The bank has e-banking and mobile banking and became member of International "Master Card" (Annual Report, 2012/13).

1.1.3 Regulatory Policy

Nepal adopted the policy of 'economic liberalization' and permitted Nepalese promoters in the early 1980s to operate banks in joint venture with foreign commercial banks. The policy of government is to bring opportunity to the people to encourage for saving by acquiring share, placing money in form of deposits, to mobilize and invest the collected saving in the field of trade, agriculture, commerce, industry, tourism, hydro-electricity and other general utility projects which helps to create employment and investment opportunities for people and generate revenue in the form of corporate tax for them.

The first responsibility of banking sector is to mobilize financial resources essential for economic and social development. The banking sector needs to invest accumulated resources for the return and on the other hand to protect the asset of the depositors. Bad debts are mounting and the capital is eroding due to lack of effective regulation. Therefore, government has formulated various acts, prudential rules and regulations and directives to ensure that the NRB exercise its regulatory role to best protect the interest of the depositors at large. The related acts and policies have been reviewed under the chapter Review of Literature.

NRB as the central bank is empowered with the responsibility of regulating and supervising the commercial banks in order to protect the interest of public and to motivate them the development goal of the country.

The whole financial system of the country is strictly regulated by the Nepal Rastra Bank Act 2002, Bank and Financial Institution Act 2063, and different regulatory directives in order to direct and control the operations of all the commercial bank operating in Nepal. However, all commercial banks have been allowed to quote their own rates of interest for deposits, advances, commissions and other banking charges.

The main objective of Nepal Rastra Bank is the establishment of sound financial system to maintain the stability of the banking. It ensures that the banks are operating in a sound condition, so that the interest of the depositors and the general public are protected. Central Bank is able to evaluate the position of any particular bank through the periodic on-site and off-site inspection. Central Bank can judge the true financial position of the banks through different rating system like CAMEL, which stands for:

C = Capital Adequacy

A = Asset Quality

M = Management Quality

E = Earnings

L = Liquidity

NRB is in a better position and supervise commercial banks in an efficient manner.

1.2 Statement of the Problem

The problem to be investigated in this study is stated as "A study on the Deposit Mobilization of Commercial Banks- A Case Study of Nepal Investment Bank Ltd.". It is proposed in this study to evaluate the performance efficiency of commercial banks in the country by assigning various parameters like liquidity ratio, activity ratio, profitability ratio and growth ratio. The problem area in this research has been identified as the type and nature of service banks should offer, the method by which these required services should be successfully delivered and the quality these services should attain to capture the interest of the bank customers in the present heat. The statement of the problem of the research study is given below:

- How is the commercial bank of Nepal taking necessary initiatives to collect sufficient deposits in a competitive financial market of today?

- Under what circumstances will private profit maximizing banks spend resources to grow the deposit market?
- What are the measures taken by commercial banks in order to mobilize its collected deposit?
- How is commercial bank maintaining balance between various investment portfolios?
- To what extent is the returns from the mobilized returns contribute the net profit of the bank?

However additional ways in which marketing techniques can be integrated into banking business and the extent to which marketing can contribute to the improvement of the banking services in terms of quality, efficiency, and effectiveness will be answered at the end of this research.

1.3 Objectives of the Study

The primary objective of the study is to develop an overall strategy for managing the deposit of NIBL. Further the study also studies the relationship between total deposit amount and total credit granted by NIBL.

To fulfill these primary objectives, the following secondary objectives also had been considered:

- To examine and analyze different types of deposit schemes offered by NIBL.
- To evaluate the trend of deposit and lending of NIBL.
- To evaluate the interest rate on deposit and lending.
- To analyze the relationship between deposit and loan of NIBL.

1.4 Significance of the Study

Generally deposit and loan are directly related to each other. Larger the deposit fund collected, larger the loan can be given. The study had been done to see the relationship of deposit collection and mobilization of them. Basically, this study will help to know the relationship of deposit collection and mobilization of them. It will be helpful to management to make appropriate deposit and lending policy. It will show

the general public that how their deposit is being utilized by NIBL. It will be helpful for knowing current NIBL deposit.

The research is also expected to reveal us the banking customers' response to the changing banking operation i.e. introduction of new technologies and marketing technologies towards giving customers qualitative and efficient banking service (meeting the customers need) thereby identifying the areas that require more attention.

1.5 Limitations of the Study

- Most of the data used in the study were of secondary data. So reliability of this analysis depends upon the pooled secondary data.
- This report covers the data from fiscal year 2007/08 to 2012/13.
- This study is concerned only on deposit collection and its utilization by sample banks.
- The same data obtained through different sources varied to some extent.
- Some data may not be accurate due to poor data processing system
- This study was based on the financial statements like balance sheet, profit and loss account and cash flow statement which provided the quantitative information.

1.6 Organization of the Study

This study has been divided into five chapters and they are as follows:

Chapter –I: Introduction

This first chapter covers the Introduction such as Background of the Study, Focus of the Study, Statement of the Problem, Objective of the Study, Significant of the Study, Limitation of the Study and Organization of the Study.

Chapter – II: Review of Literature

The second chapter deals about the Review of Literature which includes Conceptual Review, Review of Thesis, Basis Feature of this Research with review of various books, journal, old dissertation, published and unpublished reports, articles and previous newspaper.

Chapter- III: Research Methodology

This third chapter includes Research Methodology with Research Design, Sources of Data, Population and Sample, Data Collection Method and Data Analysis Tools.

Chapter- IV: Data Presentation and Analysis

In this chapter the acquired data are presented and analyzed through the way of designed methodology. Tables and diagrams are also presented to accomplish the research objectives. Major findings of the study are also included in this chapter.

Chapter –V: Summary, Conclusion and Recommendation

This chapter has deal with the summary, conclusion and recommendations.

At the end of this dissertation the bibliography and necessary annex are enclosed.

CHAPTER - II

REVIEW OF LITERATURE

Review of literature refers to the reviewing of the past studies in the concerned field. Such studies could be thesis/dissertations that are written earlier books, articles, journals or any sort of other publication concerning the subject matter, which were written prior by a person or an organization. The purpose of this literature review is to get acquainted with what has been accomplished in the concerned subject matter and what is yet to be accomplished. In other words it helps to find what actually is to be studied and foretell worthiness of the study being undertaken. It is an integral and mandatory process in research works. It deals with the literature survey of existing volumes of similar or related subjects and a careful check should be made that the purposed study has not carried out previously. Completely new and original problems are very rare, however a previous study should not exactly replicable unless the techniques used facilitate to trace out the doubtful conclusions or some new sources of information identified.

The review of literature helps to identify the problem in other words it provides a basis for identifying the areas for future research.

- To determine the methodology for research works.
- To avoid unintentional replication of previous studies.
- To interpret the result in precise manner.

2.1 Conceptual Framework

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

2.1.1 Concept of Deposits

Deposit is one of the most important sources of the commercial banks. "Deposit" an account with a bank or other financial institution such as a building society in the U.K. Deposit may be current account UK or checking account or sight deposit US,

which bear no interest and can be withdrawn on demand, or deposits account UK or saving account or time deposits US bear interest but require notice of withdrawal. In recent years new types of account have blurred (Oxford Dictionary of Economics, 2004:116).

It is important that a commercial bank deposit policy is the most essential policy for its existences. The growth of banks depends primarily upon the growth of its deposit. The volume of funds that management will use for creating income, through loans and investment is determined largely by the bank policy governing deposits. When the policy is restrictive, the growth of bank is restarted or accelerated with the linearization in the deposit policy. In banking business the volume of credit expansion much depends upon the deposit base of a bank. The deposit creating power of commercial banks forces to raise the assets along with the liabilities side of the balance sheet. In other words, assets give raise to liabilities. Traditionally, the deposit structure of a commercial bank was thought to be determined by the depositors and not by bank management. There are regular changes in this view in the modern banking industry (Vidya, 1999:68).

Thus, banks have evolved from relatively passive acceptors of deposits to active bidder for funds. Deposits are one of the aspects of the bank liabilities that management has been influencing through deliberate action.

Bank deposits arise in two ways the first when the banker receives cash & credits a customer's account, it is known as a primary or a simple deposit. Such primary deposits are made from the initiative of depositors. The second, when banks advance loans, discount bills, provide overdraft facilities; make investments through bonds and securities. This is called derived deposits of derivative deposits. They add to the supply of money. Banks actively create such deposits (The Encyclopedia Britannica, 1981:700).

2.1.2 Types of Deposits

At the outset it is necessary to know what a deposit is. Bank and Financial Institution Act (BAFIA) 2063, defines deposits is the amount deposited in a current, saving or fixed account of a bank or financial institution. People in general, the business; the

industrialist & other individuals deposit money in bank. Bank, flows such amount as loan and invest in different sectors to earn profit. Usually, a bank accepts three types of deposits. They are current, saving and fixed deposits. But in other countries we find more than three deposits. In Nepal Banks grant permission to their customers to open three types of account under various terms and conditions. This classification is made on different theoretical and financial basis. Therefore, deposits of bank are classified on the following basis:

- Demand Deposits
- Saving Deposits
- Fixed Deposits

Demand Deposits

The deposit in which an amount is immediately paid at the time of any account holder's demand is called demand deposits. In another words, we can say this type of demand deposit as current account, Current account means an account, which may be drawn at any time on demand. Its transaction is continual and such deposit can't be invested in the productive sector, so such type of amount remains as stock in the bank. Though the bank can't gain profit by investing it in new sector after taking from the customers, this facility is given to the customer. Therefore, the bank doesn't give interest on this account. The bank should pay as many times as the checks are sent until there is deposit in his/her account. The bank cannot impose any condition and restrictions in demand deposit. An institution or an individual, who usually needs money daily, precedes their acts and transaction through such deposit. The current account is very important for the customers of bank. In any institution, which carries out cash transaction, there is possibility of corruption; misuses and fraud. There should be a provision of separate employees for the recovery of the cash and for the payment of the cash. The current account is necessary to collect and buy the bills, to use the facility of overdraft, letter of credit, remittance, etc. Current deposit on the one hand, saves time and labor and on the other hand, the bank keeps the accurate of the account holders, so it is a great facility for the customers. Therefore, it has a great importance.

Saving Deposits

The bank can collect capital through the saving deposit as well. This deposit is also important and its necessity and scope is not negligible. According to BAFIA, 2063 saving accounts means an account deposited in a bank for savings purposes. This account is suitable and appropriate for the people of middle class, farmers and the labors who have low income, official and small businessman. The saving deposit bears the features of both of the current and fixed period deposits. Generally, most accounts are opened saving deposit in a bank.

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

Fixed Deposits

As per BAFIA, 2063 Fixed account means an account of amounts deposited in a bank for certain period of time. The customers opening such account deposit their money in this account, for a fixed period. In other words, it is called time deposit because this account is deposited for a certain period.

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

2.1.3 Deposit Mobilization

Collecting scattered small amount of capital through different Medias and investing the deposited fund in productive sector with a view to increase the income of the depositor is meant deposit mobilization. In other words, investing the collected fund in the productive sectors and increasing the income of the depositor, it also supports to increase the saving through the investment of increased extra amount (NRB, 1994:24:10-12).

Banks mobilize deposits by making finances and by investing in various financial markets. Basically deposit mobilization is related to the creation of credits. The banks would have special campaigns where they would interact with a lot of people and invite them to make deposits with their bank. When we discuss about deposit mobilization, we are concerned with the increasing the income of the low income group of people and to make them able to save more and to invest again the collected amount in the development activities.

The main objective of Deposit Mobilization is to convert idle saving into active saving (NBL, 2037:4-7).

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, $\text{saving} = \text{Total income} - \text{Total expenditure}$. Basically saving can be provided into two parts; voluntary saving and Compulsory savings. Amount deposited in different accounts of Commercial Banks, investment in government securities are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving and current.

In developing countries there is always shortage of the capital for the development activities. There is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time. People cannot undertake large business because of lack of capital. Due to low income their saving is also low and capital formation is very low. So their saving is not sufficient for carrying on development work.

To achieve the higher rate of growth and per capita income, economic development should be accelerated. “Economic development may be defined in a very broad sense as a process of raising income per head through the accumulation of capital (Johnson, 1956:11).

But how capital can be accumulated in the development countries in two ways one from external and other from the internal sources. In the first gap foreign Aid, Loans and grants are the main. While in the later, financial institution operating within the country, play a dominant role. In the context of Nepal, commercial bank is the main financial institution which can play very important role in the resource mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

Economic development so defined is necessary and sufficient to generate rate of saving and investment. The generation of high rates of saving and there by investment is only possible through banks and financial institutions. Commercial banks occupies greater role in economic development by generating the saving towards the desired sectors from one place to another, communicating with its branches and agencies in different part of the country and the world and advising to the commercial people. Increasing the income of the low income group of people and making them able to save more, deposit mobilization helps to invest the collected deposit in desired sector (NRB, 1984:24-25).

The saving growth rate depends among others, on the level of country’s per capita income and its growth rate, population growth rate, interest rate in saving or, on bank account, banking and financial facilities and net factor income etc. The national income is the measure of the nation from the economic activities. Saving is the excess if income is over consumption. Investment is the expenditure made for the formulation of fixed capital. Mobilization of saving implies transfer of resources from surplus spending unit to deficit units. In this connection, financial intermediaries play an important role in mobilizing of voluntary saving.

The amount of saving of a typical household in Nepal is small because people have limited opportunities for investment. They prefer to spend in saving on commodities

rather than on financial assets. These restricts the process of financial intermediation, which might otherwise bring such reduction of investment risk and increase in liquidity when capital is highly mobile internally, saving from abroad can also finance the investment needed at home. When capital is not mobile internally, saving from abroad will limit investment at home.

Capital formation is possible through collecting scattered unproductive and small saving from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit Mobilization is the most dependable and important sources of capital formation (RBB, 2055.4:14).

Banking transaction refers to the acceptance of deposits from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of certain period.

According to banking rules and regulations, this definition clearly states that Deposit mobilization is the starting point of banking transactions. Banking activities can be increase as much as we can mobilize the accumulated deposit effectively.

Deposit, such as current, saving and fixed are the main part of working capital. It is due to this reason that banks and financial institutions keep their deposit mobilization campaign always in full swing taking the resort every possible means laying at their disposal. A commercial bank changes the scattered unproductive small saving into Loan able and active saving. The bank not only collect saving, but also provides incentives to the saver and help them to be able to save more.

Banks and financial institutions are set up with a view to mobilize national financial resources. The first condition of National Economic Development is to be able to collect more and more deposit. In this context, the yearly increasing rate of commercial banks deposit clearly shows a satisfactory progress of deposit mobilization.

2.1.4 Need for Deposit Mobilization

The following are some reasons for why Deposit Mobilization is needed in a developing country like Nepal.

Capital is needed for the development of any sector of the country. The objective of Deposit Mobilization is to collect the scattered capital in different forms within the country.

It is more important to capitalize the collected deposit in the priority sector of a country. In our developing country's we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.

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

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

To increase saving is to mobilize deposit. It is because if the production of agricultural and industrial products increase, it gives additional income, which plays a vital role for the economic development of an under developed and developing country, rather than developed one.

Deposit mobilization plays a great role in such countries. Low national income, Low per Capita Income, lack of technical know- how, vicious circle of poverty, lack of irrigation and fertilizer, pressure of population increase, geographical condition etc are the main problem of Economic Development of an UDC like Nepal. So far the development of these sectors are concerned, there is need of more capital. Again, instead of the development of a particular sector, the development of every sector

should go side by side. So, the development process of these sectors on one side and to accumulate the scattered and unproductive sectors deposit on the other is felt of an UDC. We can take this in our country's present context.

In the mid-July 2011, total deposit of commercial bank increased by 9.0% as compared to 11.9% growth in the mid-July 2010. As of mid- July 2011, it reached to Rs 687,588 million from Rs 630,881 million in the mid-July 2010. Among the component of deposit, current deposit decreased by 2.0 % compared to 12.5% increment in last year. Similarly saving deposit decreased by 2.8% and fixed deposit increased by 26.8% as shown in table 2.1

Table 2.1
Summary of Deposits of Commercial Banks

(Rs in Million)

Fiscal Year	Deposits				
	Current	Saving	Fixed	Others	Total
2005/06	33,729.90	114,137.20	65,130.90	20,813.20	233,811.2
2006/07	34,646.40	129,995.00	67,318.20	20,450.20	233,811.2
2007/08	45,031.2	174,732.5	87,212.6	30,520.9	337,497.2
2008/09	56,089.3	21,1452	104,772.5	53,766.6	426,080.4
2009/10	7,1651	259,925.4	141,259.4	90,768.6	563,604.4
2010/11	80,606.2	237,709.3	200,058.5	112,506.9	630,880.9
2011/12	78,982.9	231,094.4	253,586.4	123,924.2	687,587.9
2012/13	93,304.40	304,786.80	298,835.70	171,051.30	867,978.2
Total	494,041.3	1,663,832.6	1,218,174.2	623,801.9	3,981,251.4

(Source: NRB Banking and Financial Statistics 2012/13)

In the Mid-July fixed deposit comprises the major share of total deposits followed by saving, other deposits and current deposits. Other deposits consist of call deposits and other deposits. As of mid-July 2012, the proportion of saving, fixed, current and other deposits are 35.10%, 10.70%, 34.40% and 19.71% respectively. Hence saving deposit comprised major portion of deposits of the commercial banks in the year 2012/13.

2.1.5 Advantages of Deposit Mobilization

Following are the advantages of deposit mobilization.

a) Circulation of Idle Money

Deposit mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. It helps the depositor's habit of saving on one side and it also helps to circulate the idle saving into productive sector on the others. This helps to create incentives to the depositors. Again, investment in productive sector helps to develop a country's economic development, and also increase in investor's income.

b) To Support Fiscal and Monetary Policy

Fiscal Policy of the government and monetary policy of the central bank for economic development of a country can be supported by Deposit mobilization. It helps to canalized idle money into productive sector. Again it helps in money supply, which saves the country from deflation and helps central banks objectives of monetary policy.

c) To Promote Cottage and Small Industries

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

d) Formation of Capital

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

e) Development of Banking Habit

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

f) To Check up Miss Utilization of Money

Mostly our customs and habit are supported by social and religious believes. There is also tendency of copying others and to show there superiority buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up miss utilization of money.

g) To Support Government Development Project

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

h) Co-ordination between Different Sectors

It helps to collect capital from surplus and capital hoarding sector. The fund can be invested for the needy sectors. Thus, it helps to fulfill the gap between these two different sectors. Earning interest in their deposit and the needy sector by receiving loans and advances benefits the surplus and hoarding sectors, thus it helps to keep good coordination between different sectors.

i) Others

Deposit mobilization supports small saves by earning interests, helps to the development of rural economy, protects villagers from exploitation of indigenous bankers, increase investment incentives, and provides facilities to the small farmers to purchase tools and fertilizers.

2.2 Review of Related Studies

2.2.1 Review of Article and Journals

In this section the review of thesis relating to Deposit Mobilization have been considered. It encompasses a combined effort of the entire researcher. The main objective of this part is to analyze the previous research study. An attempt is made here to review some of the research works submitted are as follows.

Singh (2005), through his article "*Rural Saving Mobilization in Nepal*" states that the ability to save and the incentive to save are the two major determinants of saving. The incentive to save as reflected in NRB real interest rate policy can be stretched for with

profit. It is highly probable that the further increase in the growth rate of financial saving can materialize if a flexible Policy is pursued to keep real interest rate at a positive level.

Acharya (2007), "*Challenges Faced in Deposit and Mobilization*" in his article concluded that mobilization of resources is one of the important fact of the various services performed by banks. Banks should classify depositors into segments and take intensive measure to market their services to them. They should design suitable schemes to mobilize the savings and attract them through suitable media of publicity. The various techniques of bank are essentially based on the principle of mobility, flexibility, convenience, reduction of cash drain, automatic facilities and special inducements.

Khatriwada (2009), in his article "*Relationship between Deposit Mobilization and its Return*" has said due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again he said that "Private CBs have mushroomed only in urban areas where banking transactions in large volume is possible. The rural and sub urban areas mostly remain unattended to. This is likely to prevail till competition tasks its full reign in the urban areas.

Bhatta (2009), on his article "*Financial Policies to Prevent Financial Crisis*" has given more emphasis on Nepalese financial market sector. He has mention the financial crisis occurred in China, Mexico, South Asia, Russian Federation Educator, Brazil and Argentina. This crisis affected all this economic by posing negative effect in their real output. He has also focused on Nepalese financial market, which is directly effected in their real output. He has also focused on Nepalese financial market, which is directly effected by the national and international events. The most effected event was September 11 incident in the USA., have added more to the fragility in the global financial market. In present context in many part of the world, the move towards liberalization is getting its momentum one hand and process of economic development is being threatened due to various anticipated incidents on the other. He has define a financial crisis is a description to financial markets in which adverse selection and moral hazard problems become much worse, so that financial

markets are unable to efficiently channel funds to those who have the most productive investment opportunities.

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

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

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

Bajracharya (2010), through his article “*Monetary Policy and Deposit Mobilization in Nepal*” has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purpose commercial banks stood as the vital and active financial intermediary for generating resources in the form of deposit in the private sector so for proving credit to the investor’s in different aspects of economy.

Shrestha (2010), in an article on "*Making Nepalese Banks More Competitive in the Global Environment*" suggests that the areas one would prioritize to engage the attention of the management of the Nepalese Banks would be:

- Increasing the productivity of the staff of the bank.
- Enhancing the technological delivery capability of the Nepalese Banking system.
- Adopting more vigil on assets quality.
- Taking a more objective view on lending, costing and recovery of advances and
- Improving the coverage of services through product innovation.

2.2.2 Review of Unpublished Dissertation

In time of research of secondary sources it is found that some student of T.U and other management campus have conducted several thesis works. Some of them are supposed to be relevant for this study is presented below.

Bhattachan (2010), in his thesis paper "*Deposit Mobilization Through Marketing of Banking Services, A Case Study of Nabil Bank Ltd.*" has concluded the importance of marketing of banking services for deposit mobilization. The research tools used in the research study were Questionnaires, Personal Interviews and Observations. The objectives of the study were as follows:

- The extent to which NABIL Bank markets its services in terms of employing marketing techniques for improving efficiency and effectiveness of their operation.
- The resultant effect of the new/modern technologies on the habit of Nepal Banking customers, how it relates to deposit mobilization.
- Examine the influence of Banker/Customer relationship in deposit mobilization and methods of improving this great union.

The Main Findings of the study are:

- NABIL bank has been putting in to practice the use of effective marketing tools and techniques, in its approach to deposit mobilization through marketing of its services.

- Most of the banks customers about 60% reveals that it is strength or reliability of the banks that attracted them, whereas 40 % of the respondent customer got recommendation from friends and colleagues.

Karmacharya (2011), in his thesis paper "*Deposit Mobilization of Commercial Bank in Nepal, A Comparative Study of NABIL Bank Ltd and NCC Bank Ltd.*". The main objectives of the research was to know the deposit mobilization practices of the commercial banks of Nepal and how far has bank been mobilizing its deposits in productive sectors for earning returns. The research tools used were collection of primary and secondary data from the respondents, annual financial reports of the sampled companies, statistical tools like regression analysis, Karl's Pearson's Coefficient of Correlation, Paired t- Test and Market Survey. Research is based on the fiscal year 2006 to 2011. The main objectives of the research are as follows:

- Tools used by financial institutions for collection of deposits.
- Initiatives taken by commercial banks for mobilizing the collected deposits.
- Relation between investments and net profit and returns from the investment.

Major Finding of the study:

- NABIL has invested more portions of current assets on government securities than NCC according to average study. It means NABIL is more sensitive in investment sector than NCC. Analysis shows that investment on government securities is more consistent and NABIL has less consistent ratio.
- The mean ratio of loan and advances to total deposits of NCC is lower than that of NABIL. The ratio of NCC is more consistent and NABIL has less consistent ratio.
- NABIL has mobilized its collected deposits on investment better than that of NCC. The ratio of NCC is less consistent and NABIL has more consistent ratio.

Adhikari (2011), in thesis paper "*Deposit Mobilization Policy of Siddhartha Development Bank Ltd. (SDBL)*" have considered the deposit mobilization policy and procedure of the collected deposits from the customers. The research tools used were collection of primary and secondary data from the respondents, annual financial reports of the sampled companies, statistical tools like regression analysis, Karl's

Pearson's Coefficient of Correlation, Paired t- Test and Market Survey. The main objectives of the study are as follows:

- To study the deposit mobilization policy and procedures of Siddhartha Development Bank Ltd.
- To analyze the trends of deposit collection and lending.
- To evaluate the performance of SDBL in terms of liquidity, profitability, sector wise lending, and non performing loan.
- To analyze the capital adequacy of SDBL.

The Major Findings of the study are as follows:

- Deposit collection of SVBL has significantly increasing trend. There is continuous increasing trend from 10 percent to 100 percent.
- In all year total fixed deposit has more contribution than other deposit. Then more contribution of saving deposit than that of current and call deposit.
- Correlation between deposit and loan disbursement is 0.99. This indicates that these two variables relation is highly positive.
- Capital adequacy of the SVBL has sufficient against NRB standard. It indicates that the lending capacity of SVBL is high.
- The highest risk of SVBL is in credit risk.

Neupane (2011), his thesis paper relating to "*Lending Policy Analysis of Commercial Bank (With Special Reference to Everest Bank Ltd.)*" has the main objective to find out the loan management position of Everest Bank Limited. The specific objectives of the study are:

- To evaluate the various financial ratios of the EBL.
- To determine the impact of deposit in liquidity and its effect on lending practices.
- To analyze trend of deposit utilization towards loan and advances and net profit.

The Major Findings of the study are:

- Cash and bank balance to current deposit of the bank shows the fluctuating trend during the study period. Similarly, cash and bank balance to interest sensitive ratio of EBL is also in fluctuating trend.

- Credit and advance to fixed deposit ratio of EBL is fluctuating trend. The mean ratio is 2.26 times in the study period. However, non-performing assets to total assets of EBL is in declining trend, whose mean ratio is 0.978%.
- The debt to assets ratio of EBL is excessively high or in other words they have excessively geared capital structure. On an average 93% of assets is financed through debt capital that is outsiders cost bearing fund.
- Return on loan and advances of EBL is also in fluctuating trend. The mean ratio is 2.2%. This shows the normal earning capacity of EBL.

Lamichanne (2011), in her thesis paper "*Comparative Study on Deposit Mobilization of Himalayan Bank Ltd. and Everest Bank Ltd.*" The main objective of the study was to know the comparative deposits collection of the two banks and its mobilization practices adopted by the two banks. The research tools used were interview with respondents, market survey, secondary tools analysis and trend of the data through statistical, financial tools. The thesis is based on the five fiscal year (2006 to 2010). The main objectives of the study were as follows:

- Steps taken by EBL and HBL for collection of deposits and mobilization of deposits.
- To analyze the trends of deposit collection and lending of HBL and EBL.
- To evaluate the performance of HBL and EBL in terms of liquidity, profitability, sector wise lending, and non performing loan.
- To analyze the capital adequacy of SDBL.
- To find out the relationship between deposit and lending and role of banks and financial institution in mobilization of scattered deposit of the economy.

Major Finding of the study:

- According to the liquidity ratio, the overall liquidity ratio of EBL is stronger than that of HBL. It can conclude that EBL could discharge its depositor's obligation more comfortably. Those ratios are used to know the capacity of the concern to repay its short term liability.
- According to activity ratio, the overall activity ratio of EBL is better than HBL. It can conclude that shows relation of two related items. These ratios reflect how efficiently the bank managing its resources.

- According to the capital adequacy ratio, EBL is stronger than other bank HBL. Capital Adequacy ratio shows the position of different items.
- In the case of profitability ratio, overall profitability ratio of EBL is better than HBL. The earning capacity of the bank is measured by the profitability ratio.
- In the case of risk ratio, the risk ratio of HBL is less than the risk of EBL. So, that HBL bank is less risky than EBL.
- In the case of growth ratio, the growth ratio of EBL is higher than HBL.
- Growth ratio of total deposit and loan and advance of HBL is lower than EBL. Hence it is recommended to HBL to increase the ratio of deposit and loan and advances.

Adhikari (2012), in his thesis, “*Fund Mobilization and Investment Policy of Everest Bank Limited*”, has the main objective to evaluate the current position of fund mobilization in EBL. The other specific objectives are:

- To analyze the trends of deposit utilization towards total investment and loan and advances.
- To evaluate the growth ratio of loans and advances, total investments with total deposit.
- To evaluate the liquidity, efficiency and trends of variable.
- To discuss deposit mobilization and investment policy of Everest Bank Ltd.

The Major Findings of the study are:

- Mean Value of Total Deposit, Loan & Advances and Total Investment is 113690, 86528 and 31010 lakh respectively. Simultaneously Coefficient of Variation is 7.32%, 7.43% and 8.2185% respectively.
- In analyzing of Fund Mobilization, Loan, Advances & Bills has contributed more than 70% and Investment covered not more than 29%.
- In classification of Deposit Saving A/C and Fixed A/C covered a huge space in Total Deposit. And Total Deposit is in increasing trend. The average growth ratio is 28.38%.
- Loan and Advances is also in increasing trend. The average growth ratio is 29.23%.

- In analysis of classification of loan, Non- performing loan is less than 2.2%. And it is in decreasing rate in following year of study period.
- Average growth ratio of Total Investment is 31.76%. In classification of investment sector, share of Govt. Treasury Bills is up to 94%.

2.3 Research Gap

Commercial Banks huge deposit collection. These deposits need to be properly utilized. Effective utilization of collected fund is possible only through implementation of sound investment policy. Nepal Investment Bank Limited has been able to mobilize the funds in an effective manner and achieved phenomenal growth and profit year after year by year but effective deposit mobilization.

This study includes the deposit mobilization of the Investment Bank Limited. This study is also different from previous studies in view of the time period it covers. During this period the country has witnessed political uncertainty, deteriorating security situation that have rendered the economy further sluggish. There has been a restructuring in the banking business. There is high competition in the market so that bank has to be more innovative in creating new ideas to their competitors. To be an extra and innovative in the market how SBL makes their strategy this study wants to explore it. In current situation how SBL mobilize its deposit and invest in different sectors this study is applicable for the customers and readers. This study gives a new dimension to the research to the research topic in the sense that it has adhered to most of the fresh guidelines and directives issued by NRB to commercial banks, which previous studies lack. In previous study there are different results which are not clearly mentioned so by this study it will improve those findings. In this study there is a clear explanation of deposit mobilization of NIBL and its investment procedure also.

CHAPTER-III

RESEARCH METHODOLOGY

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

3.1 Research Design

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research design is the plan, structure and strategy of investigation conceived. So as to obtain answers to research questions and to control variances. To achieve the objective of the study, description and analytical research design have been used.

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

3.2 Population and Sampling of the Study

There are thirty two commercial banks operating in Nepal among those banks Nepal Investment Bank Limited was selected for the research purpose.

3.3 Sources of Data

This study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and advances, assets and profit are directly obtained from the balance sheet and profit and loss account of NIBL annual reports. Supplementary data and information are collected from number of institutions and regulating authorities like NRB, security exchange Ltd.

According to the need and objectives, all the secondary data are complied. In order to judge the reliability of data provided by the banks and other sources, they are complied with the annual reports of auditors. Formal and informal talks to the concerned heads of the department of the bank were also helpful to obtain the additional information of the related problem.

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

Specially, the required data for the study has been collected from the concerned organizations and a number of publishers. In other words, it has been gathered from a number of books, journals, articles, reports, etc.

3.4 Data Processing Procedure

3.4.1 Financial Tools (Ratio Analysis)

Ratio analysis is a technique of analysis and interpretation of financial statement. To evaluate the performances of an organization by creating the ratios from the figure of different accounts consisting in the balance sheet and income statement is known as ratio analysis. Ratio analysis is a very helpful for decision making. From the information provided by ratio analysis with the help of financial statement are very helpful for decision making on any financial activity. Due to inter firm comparison ratio analysis also serves as a stepping stone to remedial measures. It helps management in evolving market strategies.

They are used to get the precise knowledge of a business which in turn is fruitful in exploring the strength and weakness of the financial policies and strategies. These tools are used for the analysis and interpretation of financial data. “Ratio analysis is such a powerful tool of financial analysis that through it economic and financial position of a business unit can be fully x- rayed” (Kothari,1989:17).

1. Liquidity Ratio

The ability of a bank to meet its short term obligation is term as liquidity. It reflects the short term financial strength of the bank. These ratios are used to know capacity of the concerned to repay its short term liability.

i. NRB Balance to Total Deposit

NRB has directed to the commercial bank to deposit certain fund of the commercial bank in the central bank. The ratios calculated as under.

$$\text{NRB Balance to Total Deposit} = \frac{\text{NRB Balance}}{\text{Total Deposit}}$$

Where total deposit = current deposit + saving deposit + fixed deposit + other

ii. NRB Balance to Current to Saving Deposit

The NRB of Nepal has directed to the commercial bank to keep certain balance of the total saving and current deposit amount in NRB balance, It is for the purpose for the liquidity to meet the demand of the customer.

$$\text{NRB Balance to Current and Saving Deposit Ratio} = \frac{\text{NRB Balance}}{\text{Current and Saving Deposit}}$$

iii. NRB Balance to Fixed Deposit Ratio

Fixed Amount means an account of amounts deposited in a bank for certain period of time. The customer can renew the fixed deposit period after the expiry of the fixed deposit time. The rate of interest in the fixed deposit is higher than that of other deposits.

$$\text{NRB Balance to Fixed Deposit} = \frac{\text{NRB Balance}}{\text{Fixed Deposit}}$$

iv. Total Liquid Fund to Total Deposit

Total liquid fund to total deposit ratio is the indication of the short term obligation capacity of the demand of the depositor money. Higher ratio shows the higher capacity of the payment on demand of the money and vice-versa.

$$\text{Liquid Fund to Total Deposit} = \frac{\text{Total Liquid Fund}}{\text{Total Deposit}}$$

Where total liquid fund = cash in hand + Cash at bank + balance at NRB + balance with their financial institution + Call money+ balance held abroad – balance with domestic bank.

2. Activity Ratio

Activity ratio is also known as asset management ratio. It measures the efficiency of the bank to manage its asset in properly to earn to high profit, Under this chapter following ratio are studied.

i. Fixed Deposit to Total Deposit Ratio

Fixed deposit is the long term and high interest charge bearing deposit. Although a high cost liability, increasing fixed deposit is subject to an additional advantage if utilized properly. This ratio is calculated in order to found out the proportion of total deposit that has higher interest charge bearing. The higher the ratio the more the liquidity and lower proportion of current or short term deposit.

$$\text{Fixed Deposit to Total Deposit} = \frac{\text{Fixed Deposit}}{\text{Total Deposit}}$$

ii. Loan and Advance to Total Deposit Ratio

This ratio assess to what extend the bankers are able to utilize the depositor fund to earn profit by providing loan and advance. In other words how quickly total collective are converted into loan and advances given to the client to earn income. It is computed by dividing the total amount of loan and advances to total deposit fund. Higher ratio indicates higher proper utilization of fund and low ratio is the signal of inefficiency or remaining idle.

$$\text{Loan and Advance to Total Deposit Ratio} = \frac{\text{Loan and Advances}}{\text{Total Deposit}}$$

iii. Investment to Total Deposit Ratio

This is the ratio of total investment by total deposit. Total investment includes government treasury bills, government bonds, company shares and other investment. This ratio presents how efficiently the resources of the bank have been mobilized. High ratio shows managerial efficiency regarding the utilization of the deposit and vice versa.

$$\text{Investment to Total Deposit Ratio} = \frac{\text{Total Investment}}{\text{Total Deposit}}$$

iv. Investment in Government Securities to Total Working Funds

This ratio is calculated by dividing investment in Government Securities by total working fund.

$$\begin{aligned} &\text{Investment in Government Securities to total Working Funds} \\ &= \frac{\text{Investment in Government Securities}}{\text{Total Working Fund}} \end{aligned}$$

v. Investment in shares and Debentures to Total Deposits

This is the ratio of total investment in shares and debentures by total deposits. The ratio presents how NIBL is investing its resources in the shares and debentures in other public limited companies in order to earn dividends, interest income and gain profit from its sale in future.

$$\begin{aligned} &\text{Investment in shares and Debentures to Total Deposits} \\ &= \frac{\text{Investment in Shares \& Debentures}}{\text{Total Deposits}} \end{aligned}$$

vi. Other Investment to Total Deposits

This is the ratio of other investment to total deposits. Other investments comprise investment other than government securities, shares and debentures. Other investment comprises investment in local licensed institutions and foreign banks. These investments are held till maturity in order to earn profit by selling it in higher price where at the time of buying such investments it is bought at discount. Higher ratio indicates higher investment in order to earn future profit and vice-versa.

$$\text{Other Investment to Total Deposits} = \frac{\text{Other Investment}}{\text{Total Deposits}}$$

3. Profitability Ratios

Maximization of profit is the main objective of each and every bank. It is very necessary to earn maximum profit for the successful running of bank concern. According to Lord Keynes, “profit is the engine that drives the business enterprises.” The profit is also important to preserve the existence of bank as well as strengthen and expand it.

i. Net Profit to Total Deposit Ratio

This ratio measures the percentage of profit earned from the utilization of total deposit. Deposits are mobilized for the investment, loan and advances to the public in generating revenue, higher ratio indicates the return from investment on loans and low ratio indicates that the funds are not properly mobilized.

$$\text{Net Profit to Total Deposit Ratio} = \frac{\text{Net Profit}}{\text{Total Deposit}}$$

ii. Net Profit to Loan and Advance

This ratio measures the earning capacity of bank as its deposit mobilized on loan and advance. Higher the ratio greater will be return and vice versa.

$$\text{Net Profit to Loan and Advance} = \frac{\text{Net Profit}}{\text{Loan and Advance}}$$

iii. Net Profit to Investments

This ratio measures the percentage return from the mobilization of deposits on investments. Higher ratio indicates higher return from the investments and proper utilization of deposits on investments and vice-versa.

$$\text{Net Profit to Investment} = \frac{\text{Net Profit}}{\text{Investments}}$$

4. Growth Ratio

Growth ratio is directly related with to the fund mobilization and investment management of commercial bank. It represents how well the commercial bank maintaining the economic and financial position. Following ratios are considered under this ratio:

- Growth ratio of total deposit
- Growth ratio of total loan and advance

- Growth ratio of total investment
- Growth ratio of net profit

3.4.2 Statistical Tools

Under descriptive statistics, arithmetic mean, standard deviation and coefficient of variation, coefficient of correlation and trend analysis are calculated.

i. Arithmetic Mean

An arithmetic mean also called as “the mean”, “average” or “the arithmetic average”. A mean is the average value or the sum of all observation divided by the number of observation. Arithmetic is used in a situation of studying practical problems relating to production, price, income, expenditure, etc. But, it is not useful for qualitative characteristics, open – ended classes, etc. It is denoted and given by the formula.

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N}$$

Where

\bar{X} = Mean value or arithmetic mean

$\sum X$ = Sum of the observation

N = Number of observation

ii. Standard Deviation

Standard Deviation measures the absolute dispersion and gives uniform current and stable results. It is the positive square root of average sum of square of deviation of given observation from the arithmetic mean of the distribution. Higher the value of standard deviation, higher will be the variability and vice- versa. A standard deviation is always a positive number and is superior to mean deviation, quartile deviation and ranges. It is denoted by greek letter sigma. Standard Deviation is calculated by using the following formula:

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}}$$

iii. Co-efficient of Variation

The coefficient of variation is defined as the ratio of standard deviation to the mean expressed. It is independent of units. Hence it is a suitable measure for comparing variability of two series with same or different units. A series with smaller C.V is said to be less variable or more consistent or more homogenous or more uniform or more stable than others and vice- versa. It is used in such problem where the researcher should compare the variability of more than two years. It is the most commonly used measure relative of two or more distribution. The coefficient of variation (C.V) is given by the following formula:

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

iv Co-efficient of Correlation

Coefficient of correlation is the mathematical method of measuring the degree of association between the two variables i.e. one dependent and the other is independent. This analysis identifies the relationship between two or more variables. The effect one variable may have effect on other correlated variable in the highly correlated variables. For this study, the relationship between the following variables will be calculated.

- Coefficient of correlation between deposit and loan advance
- Coefficient of correlation between loan and advance and profit.
- Coefficient of correlation between deposit and investment.
- Coefficient of correlation between deposit and investment in government securities
- Coefficient of correlation coefficient between deposit and investment in shares and debentures
- Coefficient of correlation between investment and net profit.

Coefficient of determination (r^2) provides the variation in the dependent variable that is explained by the independent variable. According to the value that is computed from the coefficient of determination we can conclude that the percentage variation in the dependent variable is due to the variation in the independent variable and the remaining portion of the variable is due to the other factors, It is the square of the correlation coefficient.

This analysis tool analyze the relationship between these relevant variables and help the bank to make appropriate policy regarding deposit collection, fund utilization (Loan and advances), profit maximization. The reliability of the value of coefficient of correlation is measure by probable error. The limits of correlation are always between -1 to + 1. In this Karl Pearson's Coefficient of correlation (r) is used to find out the relation between two variables and when $r=+1$, it means there is significant relation between two variables and when $r= -1$, it means there is no significance relation between two variables.

$$\text{Coefficient of Correlation (r)} = \frac{\sum xy}{N\sigma_x\sigma_y}$$

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

3.4.3 Trend Analysis

The least square method is mostly used for determining the trend of time series and it is commonly used for the estimate for the future trend value of different variables.

Hence for the estimation of trend line, the following formula is used.

$$Y_c = a+bx$$

Where,

Y_c = Dependent variable

x = Independent variable

a = y-intercept

b = Slope of trend line

Hence using this method, trend analysis of following variables is conducted.

- Trend analysis of total deposit.
- Trend analysis of loan and advance
- Trend analysis of investment
- Trend analysis of net profit.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

The presentation and analysis of data sections are the main of the study to find out the answer of research question and set out objectives of the study. For the purpose of presentation of data, most recent financial statements of the company are analyzed. The collected and tabulated data have been analyzed using different financial and statistical tools. This chapter includes presentation, analysis and integration of collected data with organizing sequentially as per the objectives of the study. Thus the main purpose of this is to highlight the deposit mobilization of selected commercial bank NIBL. To accomplish these objectives, this chapter gives a detailed analysis of the various aspects of deposit mobilization of the bank. Specially, the study covers the period of 8 years from fiscal year 2005/06 to 2012/13.

4.1 Deposit Composition

Deposit comprises of current, saving, fixed and other (margin) deposits maintained by the bank. The details of such deposit composition of NIBL are given below.

Table 4.1
Composition of Deposits of NIBL

(Rs in Million)

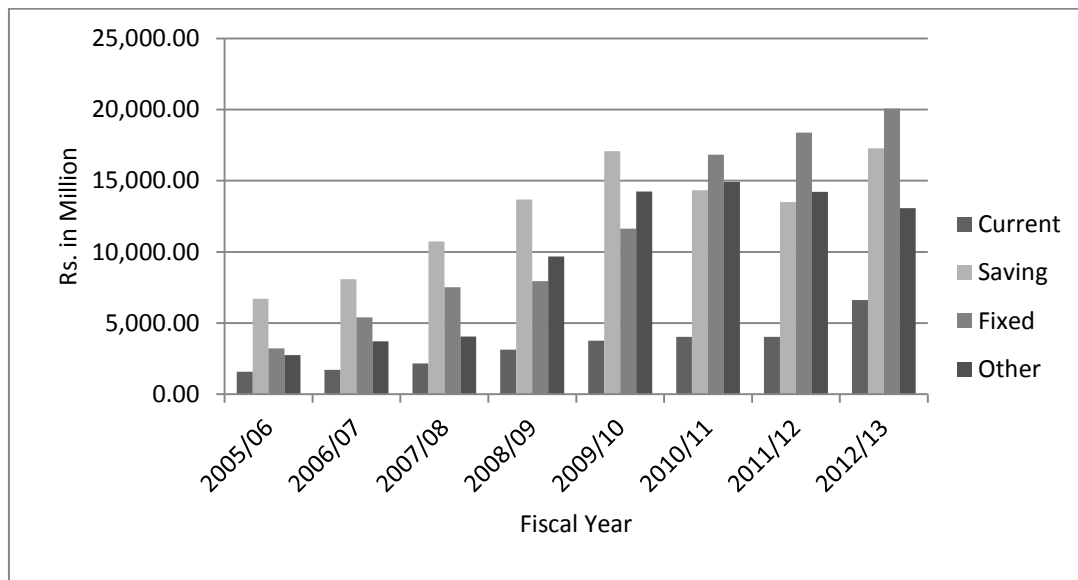
Fiscal Year	Deposit Composition					Increase in %
	Current	Saving	Fixed	Other	Total	
2005/06	1,583.03	6,703.51	3,212.27	2,755.76	14,254.57	
2006/07	1,705.67	8,081.98	5,412.97	3,726.69	18,927.31	32.78
2007/08	2,175.03	10,742.33	7,516.69	4,054.81	24,488.86	29.38
2008/09	3,138.67	13,688.77	7,944.23	9,680.06	34,451.73	40.68
2009/10	3,756.57	17,066.25	11,633.38	14,241.90	46,698.10	35.55
2010/11	4,025.82	14,324.26	16,825.15	14,919.50	50,094.73	7.27
2011/12	4,042.69	13,490.31	18,378.30	14,226.82	50,138.12	0.09
2012/13	6,611.31	17,276.03	20,057.48	13,065.79	57,010.60	13.71
Total	27,038.79	101,373.43	90,980.46	76,671.33	296,064.01	

(Source: NIBL Annual Report of 2005/06-2012/13)

Table 4.1 shows that the deposit of the NIBL is in increasing trend yearly. Saving Deposit comprises the major part of the deposit of NIBL, followed by fixed, other and

current deposits. Other deposit comprises of call and margin deposits. There is decreasing trend in the saving deposit from the year 2005/06 and is least in the year 2011/12 which is Rs 13,490.31 million. Current and fixed deposits is in increasing trend where other deposits shows an increasing trend till 2009/10 and then decreasing trend thereafter, however in total the overall deposit trend is increasing which shows satisfactory position in the collection of deposits by NIBL. Deposit has increased highest in 2008/09 by 40.68% as compared to corresponding previous year and has increased least in 2011/12 as compared to corresponding previous year in the 8 year period. The collection of deposit is highest in the year 2012/13 which is Rs 57,010.60 million.

Figure 4.1
Composition of Deposits



(Source Table no. 4.1)

Figure 4.1 depicts that the deposit of NIBL is in increasing trend till 2010/11 and is almost constant in the year 2011/12 and again increased in the year 2012/13 in the 8 year study period. Saving deposit comprises major portion of deposit in the year 2005/06 to 2009/10 which is in increasing trend and then fixed deposit comprises the major portion of deposit there after which is in increasing trend in the 8 year study period.

4.2 Composition of Utilization of Deposits

Deposits are utilized in order to earn sufficient returns and compensate the cost of funds and cover various other expenses of the bank. Deposits mobilization is the major function of commercial banks. It helps to create capital funds in the market and decreases the scarcity of capital. Deposits are mobilized in lending, investments in various profitable sectors like in government securities and bonds, shares and debentures of public companies and other investments. The composition of such mobilization of deposits is mentioned in the table given below.

Table 4.2
Mobilization of Deposits

(Rs in Million)

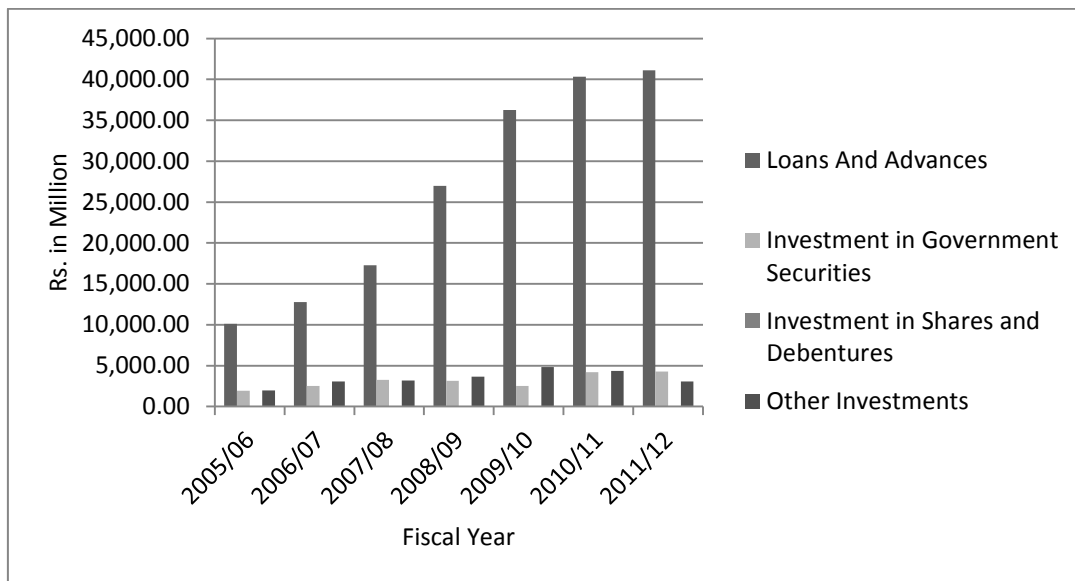
Fiscal Year	Loans And Advances	Investments			Total
		Investment in Government Securities	Investment in Shares and Debentures	Other Investments	
2005/06	10,126.06	1,948.50	17.74	1,967.95	14,060.24
2006/07	12,776.21	2,522.30	17.74	3,062.83	18,379.08
2007/08	17,286.43	3,256.40	35.25	3,194.39	23,772.47
2008/09	26,996.65	3,155.00	54.55	3,664.48	33,870.68
2009/10	36,241.21	2,531.30	60.97	4,807.54	43,641.02
2010/11	40,318.31	4,201.85	63.35	4,370.33	48,953.84
2011/12	41,095.51	4,294.60	70.96	3,057.54	48,518.62
2012/13	41,637.00	6,169.49	174.41	4,097.14	52,078.04
Total	226,477.38	28,079.44	494.97	28,222.2	283,273.99
Mean	45,295.47	5,615.89	98.99	5,644.44	

(Source Annual Report of NIBL 2007/08 to 2012/13)

Table 4.2 indicates that the major portion of mobilization of deposits is in loans and advances in order to earn interest income, then is in other investments and followed by other investment, investment in government securities and investment in shares and debentures. Investments are categorized into held for trading, held for sale and held till maturity. The overall mobilization of deposits of NIBL in the 8 year study is in increasing trend where in all the years loans and advances covers the major portion. Mobilization of deposits is highest in the year 2012/13 as the collection of deposits is also highest in the same year. Mobilization of deposits on loans and advances, shares and government is in increasing trend over the 8 years, where other investment is in

increasing trend till the year 2009/10 and then decreases and again increases in the year 2012/13. The percentage of deposit to mobilization of deposits is highest in the year 2005/06 which is 98.64% and then 2006/07 which is 97.10%. The lowest mobilization of deposits to deposits is in the year 2012/13 which is 91.35%. The average deposit mobilization for the 8 year period is 96.30% hence NIBL has effectively utilized its collected funds.

Figure 4.2
Mobilization of Deposits



(Source Table 4.2)

Figure 4.2 clarifies the tabulated form of details of mobilization in various sectors by NIBL. It can be concluded that deposit is highly mobilized in loans and advances. Loans and advances is in increasing trend till year 2010/11 and then is almost constant in the year 2011/12 and 2012/13 as to corresponding previous year. Whereas investment in government securities, shares and debentures and other investments is in fluctuation trend. Other investment comprises of investment in local licensed institutions and in foreign institutions. Deposit is less mobilized in investment in shares and debentures in other public companies. Hence from the above figure we can conclude that mobilization of deposits is highest in loans and advances followed by other investments, investment in government securities and investment in shares and debentures.

4.3 Liquidity Ratio

4.3.1 NRB Balance to Total Deposit

Here NRB balance is the balance that financial institutions should compulsorily deposit in NRB and total deposit comprises of current, saving, fixed and other (margin and call) deposits of bank. The details regarding NRB balance to total deposit is given below.

$$\text{NRB Balance to Total Deposit} = \frac{\text{NRB Balance}}{\text{Total Deposit}}$$

Table 4.3
NRB Balance to Total Deposit

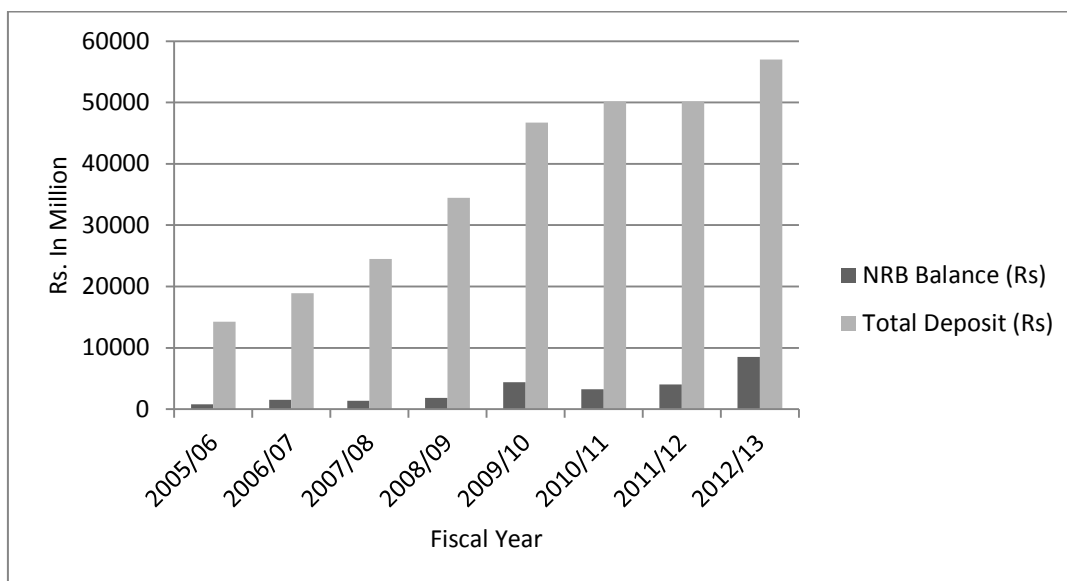
(Rs in Million)

Fiscal Year	NRB Balance (Rs)	Total Deposit (Rs)	Ratio %	Increase in %
2005/06	780.24	14,254.57	5.47	
2006/07	1,526.07	18,927.31	8.06	2.59
2007/08	1,381.35	24,488.86	5.64	(2.42)
2008/09	1,820.01	34,451.73	5.28	(0.36)
2009/10	4,411.13	46,698.10	9.45	4.17
2010/11	3,237.22	50,094.73	6.46	2.99
2011/12	4,009.46	50,138.12	7.99	1.53
2012/13	8,502.69	57,010.60	14.9	6.91
Total	25,668.17	296,064.01		
Average	3,208.52	37,008.00		
S.D	2,348.15	8,015.87		
C.V	73.18%	21.66%		

(Source: Annexure I)

The ratio of NRB balance to total deposit is fluctuating in the 8 year study period of NIBL. The ratio increases by 2.59% in 2006/07 as compared to 2005/06 and then decreases by 2.42% in 2007/08 as compared to 2006/07 and then decreases again by 0.36% in 2008/09 as compared to 2007/08 and then increases by 4.17% in 2009/10 as compared to 2008/09. The ratio is highest in the year 2012/13 which is 14.90% where Balance in NRB is highest in the same year which is 8,502.69 million in the 8 year study period and least in 2008/09 which is 5.28%. The ratio is satisfactory as to the banking industry.

Figure 4.3
NRB Balance to Total Deposit



(Source Table no. 4.3)

Figure 4.3 depicts there is increasing trend of balance in NRB is in increasing trend till 2009/10 and then decreases in the year 2010/11 and increases again thereafter, whereas deposit is in increasing trend till 2010/11 and then remains almost constant in 2011/12 and then increases highly in the year 2012/13 of NIBL.

4.3.2 NRB Balance to Current and Saving Deposit

This ratio helps to find out what portion of saving and current has NIBL deposited in NRB in order to pay out its current and saving deposit holders during liquidity crisis.

$$\text{NRB Balance to Current and Saving Deposit} = \frac{\text{NRB Balance}}{\text{Current \& Saving Deposit}}$$

Table 4.4
NRB Balance to Current and Saving Deposit

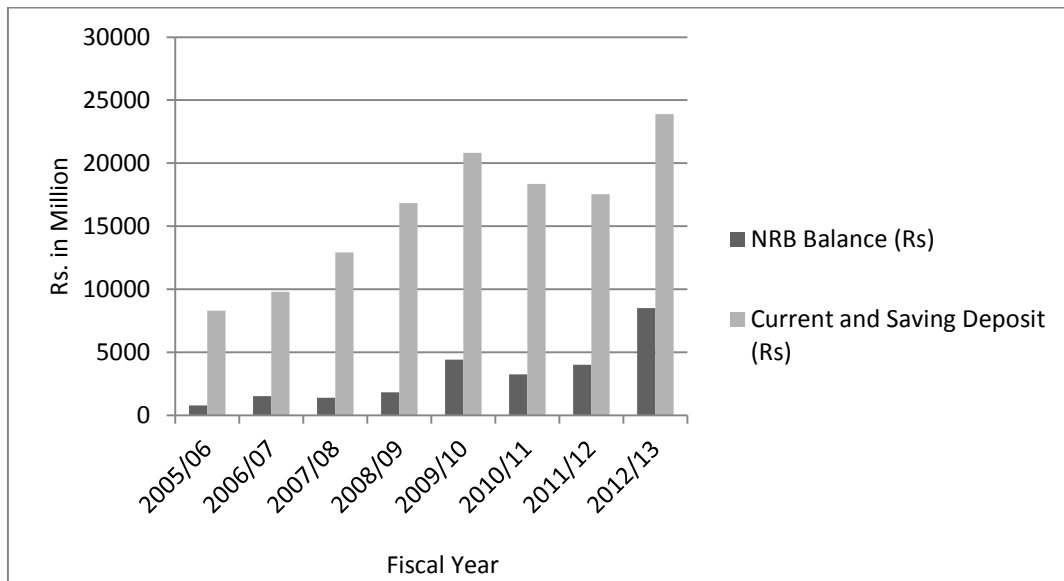
(Rs in Million)

Fiscal Year	NRB Balance (Rs)	Current and Saving Deposit (Rs)	NRB Balance to Current and Saving Ratio %	Increase in %
2005/06	780.24	8,286.54	9.42	
2006/07	1,526.07	9,787.65	15.59	65.59
2007/08	1,381.35	12,917.36	10.69	(31.41)
2008/09	1,820.01	16,827.44	10.82	1.14
2009/10	4,411.13	20,822.82	21.18	95.86
2010/11	3,237.22	18,350.08	17.64	(16.72)
2011/12	4,009.46	17,533.00	22.87	29.63
2012/13	8,502.69	23,887.33	35.59	55.65
Total	25,668.17	128,412.22		
Average	3,208.52	16,051.53		
S.D	2,348.15	5,019.95		
C.V	73.18%	31.27%		

(Source: Annexure II)

Table 4.4 shows that ratio of NRB balance to Current and Saving Deposit is in fluctuating trend as compared to corresponding previous fiscal year. It increases by 65.59% in the year 2006/07 as compared to the previous year 2005/06 where current and saving deposit is Rs 9,787.65 million. It increases by 1.14% in 2008/09 than 2007/08 where the ratio is 10.82 and increases by 95.86% in 2009/10 as compared to 2008/09 where the ratio is 21.18. The ratio decreases in 2010/11 by 16.72% than 2009/10 where the ratio is 17.64 and increases again by 29.63% in 2011/12 than 2010/11 in which the ratio is 22.87. The ratio is lowest in the year 2005/06 where NRB balance and current and saving deposit also is lowest during the 8 year study period. Thus it can be concluded that NIBL maintains balance in NRB in line with the increase and decrease in collection of saving and current deposits.

Figure 4.4
NRB Balance to Current and Saving Deposit



(Source Table no. 4.4)

Figure 4.4 shows that NIBL balance in NIBL is in increasing trend till 2009/10 and then decreases thereafter and again increases in the year 2012/13. Saving and current deposit of NIBL is also in the same trend as of the NRB Balance of NIBL. It can be concluded that NIBL maintains the balance in NRB in line with the collection of current and saving deposit.

4.3.3 NRB Balance to Fixed Deposit

The ratio shows what portion of fixed deposit does NIBL maintains in NRB in order to pay out the fixed deposit holders at maturity of fixed deposit during liquidity crisis. It shows how far is NIBL able to pay out the fixed deposit holder's deposit by the balance maintained by NIBL in NRB.

$$\text{NRB Balance to Fixed Deposit} = \frac{\text{NRB Balance}}{\text{Fixed Deposit}}$$

Table 4.5
NRB Balance to Fixed Deposit

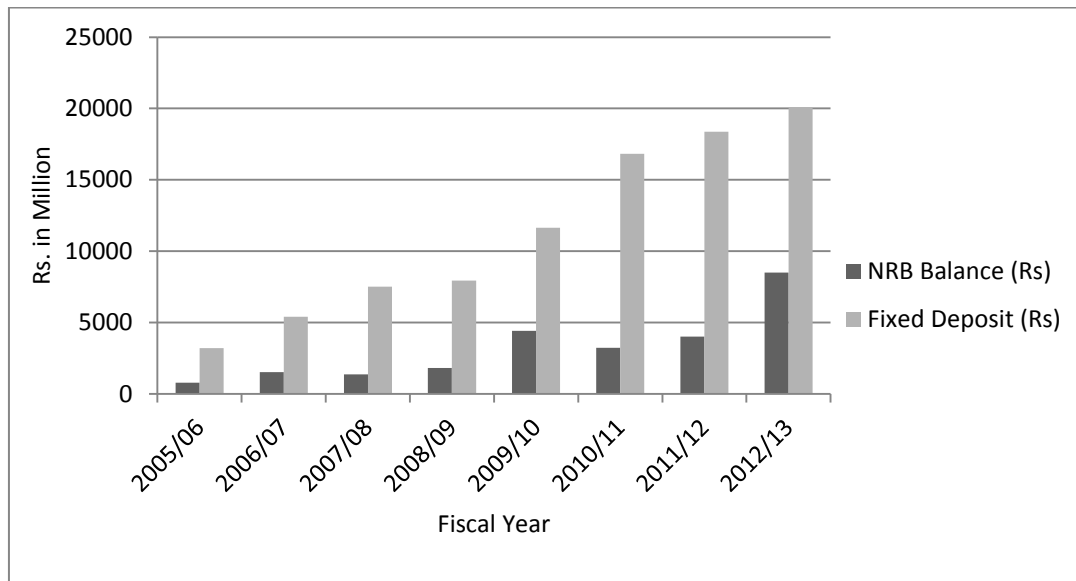
(Rs in Million)

Fiscal Year	NRB Balance (Rs)	Fixed Deposit (Rs)	NRB Balance to Fixed Deposit %	Increase in Ratio %
2005/06	780.24	3,212.27	24.29	
2006/07	1,526.07	5,412.97	28.19	16.07
2007/08	1,381.35	7,516.69	18.38	(34.82)
2008/09	1,820.01	7,944.23	22.91	24.66
2009/10	4,411.13	11,633.38	37.92	65.51
2010/11	3,237.22	16,825.15	19.24	(49.26)
2011/12	4,009.46	18,378.30	21.82	13.39
2012/13	8,502.69	20,057.48	42.39	94.31
Total	25,668.17	90,980.47		
Mean	3,208.52	11,372.56		
S.D	2,348.15	5,948.06		
C.V	73.18	52.30		

(Source: Annexure III)

Table 4.5 depicts that ratio of NRB balance to fixed deposit increases by 16.07% in the year 2006/07 than the previous year 2005/06 and then decreases by 34.82% in the year 2007/08 and then again increases thereafter till the year 2009/10. The ratio then decreases in 2010/11 by 49.26% as compared to previous year 2009/10 in which the ratio is 19.24% and then again increases by 13.39% as compared to 2010/11 in which the ratio is 21.82%. The ratio is highest in the year 2012/13 which increased by 94.31% than the previous year 2011/12 where NRB balance and current and saving deposit is also highest in the 8 year study period which is Rs 8,502.69 million and 20,057.48 million respectively. Hence it can be concluded that NIBL maintains balance with NRB in line with the collection of fixed deposit.

Figure 4.5
NRB Balance to Fixed Deposit



(Source Table no. 4.5)

Figure 4.5 we can conclude that balance in NRB of NIBL is in fluctuation i.e. it is in increasing trend till 2009/10 and then decreases in the year 2010/11 and again increases in 2011/12 in the 5 year, whereas fixed deposit of NIBL is in increasing trend.

Total Liquid Fund to Total Deposit

The ratio indicates the capability to pay out short term obligation on the demand of the deposit holders. It shows how far NIBL is able to pay out its deposit liabilities during liquidity crisis or on any demand of the customers. The details of the ratio are depicted in table given below:

$$\text{Total Liquid Fund to Total Deposit} = \frac{\text{Liquid Fund}}{\text{Total Deposit}}$$

Table 4.6
Total Liquid Fund to Total Deposit

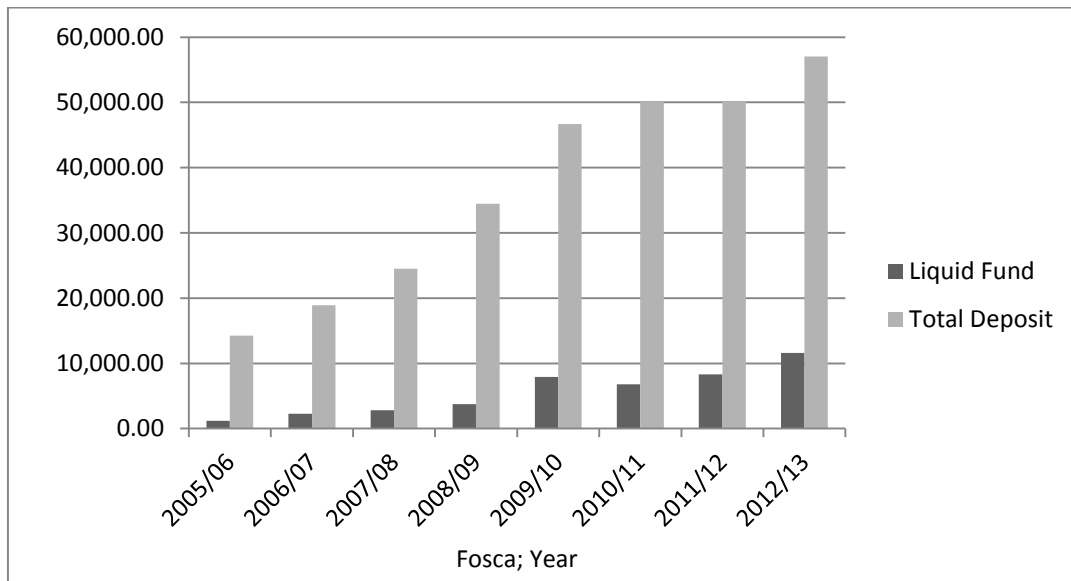
(Rs in Million)

Fiscal Year	Liquid Fund	Total Deposit	Liquid Fund to Total Deposit %	Increase in Ratio
2005/06	1,200.48	14,254.57	8.42	-
2006/07	2,266.52	18,927.31	11.97	42.19
2007/08	2,804.48	24,488.86	11.45	(4.37)
2008/09	3,754.94	34,451.73	10.90	(4.83)
2009/10	7,918.00	46,698.10	16.96	55.57
2010/11	6,815.89	50,094.73	13.61	(19.76)
2011/12	8,290.37	50,138.12	16.54	21.53
2012/13	11,598.39	57,010.60	20.34	23.04
Total	44,649.08	296,064.01		
Mean	5,581.14	37,008.00		
S.D	3,386.64	15,188.64		
C.V	60.68	41.04		

(Source: Annexure IV)

Table 4.6 figures out the ratio liquid fund to total deposit is above 10% in all the 8 year except in the year 2005/06 where liquid fund and total deposit is also lowest. Hence NIBL maintains comfortable liquidity position as to the ratio of banking industry. The ratio shows fluctuating trend as to fluctuation in liquid fund and total deposit. The ratio is highest in the year 2012/13 where liquid fund is Rs 11,598.39 million and total deposit is Rs 57,010.6 million and lowest in the year 2005/06 where liquid fund is Rs 1,200.48 million and total deposit is Rs 14,254.57 million. From the table above we can conclude that the ratio constantly increases and decreases according to the liquid fund maintained by NIBL. Hence it concluded NIBL maintains liquid fund as to the collection of the deposits in order to comfortably pay out the deposit liabilities.

Figure 4.6
Total Liquid Fund to Total Deposit



(Source Table no. 4.6)

From Figure 4.6 we can conclude that total deposit is in increasing trend till the year 2010/11 and then remains almost constant in the year 2011/12 and again increases in the year 2012/13 as compared to corresponding previous years in the 8 year period, whereas liquid fund is in fluctuation trend. It is in increasing trend till the year 2009/10 and then decreases in the year 2010/11 and then again increases in the year 2011/12 and 2012/13. Hence NIBL is maintaining comfortable liquidity position.

4.3 Activity Ratio

4.3.1 Fixed Deposit to Total Deposit Ratio

Fixed Deposit is high interest bearing deposit than any other type of deposit. This ratio is calculated to find out the proportion of total deposit to that has higher interest charge bearing. Higher the ratio the more the liquidity and lower portion of current and short term deposit and vice-versa. The ratio is presented in the table given below.

$$\text{Fixed Deposit to Total Deposit} = \frac{\text{Fixed Deposit}}{\text{Total Deposit}}$$

Table 4.7
Fixed Deposit to Total Deposit

(Rs in Million)

Fiscal Year	Fixed Deposit	Total Deposit	Fixed Deposit to Total Deposit %	Increase in Ratio %
2005/06	3,212.27	14,254.57	22.53	-
2006/07	5,412.97	18,927.31	28.60	26.91
2007/08	7,516.69	24,488.86	30.69	7.33
2008/09	7,944.23	34,451.73	23.06	(24.88)
2009/10	11,633.38	46,698.10	24.91	8.04
2010/11	16,825.15	50,094.73	33.59	34.82
2011/12	18,378.30	50,138.12	36.66	9.14
2012/13	20,057.48	57,010.60	35.18	(4.02)
Total	90,980.46	296,064.01		
Mean	11,372.56	37,008.00		
S.D	5,948.06	15,188.64		
C.V	52.30	41.04		

(Source: Appendix V)

Table 4.7 we can conclude that the ratio of fixed deposit to total deposit is in fluctuation trend as to the fluctuation in fixed deposit. The ratio first decreases in the year 2008/09 and then increases yearly thereafter and then decreases in the year 2012/13 than the previous corresponding year in the 8 year period, where fixed and total deposit also fluctuates similarly. The ratio represents the portion of fixed deposits in the total deposit of the bank. The ratio is highest in the year 2011/12 where fixed and total deposit is highest in the 5 year period viz. Rs 18,378.30 million and 50,138.12 million respectively. In the year 2010/11 and 2011/12 the ratio is higher than in any year which justifies that the major portion of deposits in the those year is of fixed deposits and lower portion of current and short term deposits. The higher ratio higher fixed deposit concentration in the total deposit of the bank which ultimately increases the cost of fund. Hence NIBL has been decreasing the costly funds as the ratio decreases in the year 2012/13 by 4.02% than the previous year.

4.4.2 Loan and Advances to Deposit Ratio

This ratio indicates the portion of mobilization of deposits in loans and advances in order to gain returns from the loans and advances. In other words, how quickly total collected deposits is converted into loans and advances. Higher the ratio better is the utilization of funds collected and vice – versa.

$$\text{Loans and Advances to Total Deposit} = \frac{\text{Loans and Advances}}{\text{Total Deposit}}$$

Table 4.8
Loans and Advances to Deposit Ratio

(Rs in Million)

Fiscal Year	Loan and Advances	Total Deposit	Loans & Advances to Total Deposit %	Increase in Ratio %
2005/06	10,126.06	14,254.57	71.04	-
2006/07	12,776.21	18,927.31	67.50	(4.98)
2007/08	17,286.43	24,488.86	70.59	4.57
2008/09	26,996.65	34,451.73	78.36	11.01
2009/10	36,241.21	46,698.10	77.61	(0.96)
2010/11	40,318.31	50,094.73	80.48	3.71
2011/12	41,095.51	50,138.12	81.96	1.84
2012/13	41,637.00	57,010.60	73.03	(10.90)
Total	226,477.37	296,064.01		
Mean	28,309.67	37,008.00		
S.D	11,542.11	13,441.79		
C.V	40.77	36.32		

(Source: Annexure VI)

Table 4.8 it is observed that loan and advances decreases in the year 2005/06 by 4.98% than the previous year 2005/06. The ratio is highest in the year 2011/12 which indicates higher utilization of total deposits in loans and advances. The ratio increases in the year 2008/09 by 11.01% and then decreases in the year 2009/10 by 0.96% and then increases in the year 2009.10 by 3.71% and increases in the year 2011/12 by 1.84% and again decreases by 10.90% in 2012/13 as compared to the corresponding previous year. Although the deposit collection in the year 2012/13 is highest but NIBL has not invested its deposit in line with the deposit collected as to the pat year is concerned. The ratio represents the portion of the deposit collected mobilized in loans and advances. The ratio in all the 8 year period is above 70% which is comfortable ratio as to the banking industry is concerned.

In order to test the significance of the relationship between loans and advances and total deposits during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix VI and the result is +0.99 with probable error of 0.0016, which shows higher degree positive correlation between loans and advances and total deposits.

4.4.3 Investment to Total Deposit

This ratio indicates the portion of mobilization of total deposits on investments in order to earn return on investments in long and short run. Investment are categorized as held for trading, held for sale and held till maturity. The total of the sub groups of investments is the total investments made by financial institutions. It indicates how efficiently the resources of bank have been mobilized. The investment can be in government bonds which fetch interests, investment in securities of listed companies which gives dividend and profit in the sale of such securities in the future. Hence banks should have sound policies and judgment regarding investment in various sectors. High ratio shows better efficiency regarding the utilization of deposits and vice – versa.

$$\text{Investment to Total Deposit} = \frac{\text{Investment}}{\text{Total Deposit}}$$

Table 4.9
Investment to Total Deposit

(Rs in million)

Fiscal Year	Investment	Total Deposit	Investment to Total Deposit %	Increase in Ratio %
2005/06	3,934.19	14,254.57	27.60	
2006/07	5,602.87	18,927.31	29.60	7.26
2007/08	6,505.68	24,488.86	26.57	(10.26)
2008/09	6,874.02	34,451.73	19.95	(24.89)
2009/10	7,399.81	46,698.10	15.85	(20.58)
2010/11	8,635.53	50,094.73	17.24	8.79
2011/12	7,423.11	50,138.12	14.81	(14.11)
2012/13	10,438.49	57,010.60	18.31	23.67
Total	56,813.70	296,064.01		
Mean	7,101.71	37,008.00		

(Source: Annexure VII)

Table 4.9 shows that the investment of NIBL increases by 7.26% in the year 2006/07 as compared to previous year 2005/06. The ratio of investment to total deposit shows fluctuating trend. It decreases by 24.89% in the year 2008/09 than 2007/08, decreases by 20.58% in the year 2009/10 than 2008/09, and increases by 8.79% in 2010/11 than 2009/10 and then decreases by 14.11 in the year 2011/12 and again increases by 23.67% in the year 2012/13 as compared to previous year. The ratio is highest in the year 2006/07 where investment is Rs 5,602.87 million and least in the year 2011/12 where investment is Rs 7,423.11 million. The bank has now again started to increase its deposit mobilization in investment as it can be proved by the ratio which is 18.31%, which increased by 23.67% than the previous year 2011/12. The ratio indicates the proportion of mobilization of the collected deposits in investments in order to earn returns in long and short run. The investments can be in the government bonds which fetch interest, investment in securities of the listed entities which gives dividends and profit on the sale of such securities.

In order to test the significance of the relationship between investments and total deposit during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix VII and the result is +0.911 with probable error of 0.05, which shows higher degree positive correlation between loans and advances and total deposits.

4.4.4 Investment in Governmental Securities to Total Deposit

The ratio indicates the portion of investment of bank in government securities from the collected deposits in order to earn interests from investment in government treasury bills and saving bonds.

Investment in Government Securities to Total Deposit

$$= \frac{\text{Investment in Government Securites}}{\text{Total Deposit}}$$

Table 4.10
Investment in Government Securities to Total Deposit

(Rs in Million)

Fiscal Year	Investment in Government Securities	Total Deposit	Investment in Government Securities to Total Deposit %	Increase in Ratio %
2005/06	1,948.50	14,254.57	13.67	
2006/07	2,522.30	18,927.31	13.33	(2.51)
2007/08	3,256.40	24,488.86	13.30	(0.22)
2008/09	3,155.00	34,451.73	9.16	(31.13)
2009/10	2,531.30	46,698.10	5.42	(40.81)
2010/11	4,201.85	50,094.73	8.39	54.74
2011/12	4,294.60	50,138.12	8.57	2.12
2012/13	6,169.49	57,010.60	10.82	26.34
Total	28,079.44	296,064.01		
Mean	3,509.93	37,008.00		

(Source: Annexure VIII)

Table 4.10 shows that investment in government securities by NIBL is fluctuating yearly. It is highest in the year 2005/06 where investment in government securities is Rs 1,948.50 million and deposit is Rs 14,254.57 million. The ratio decreases in the year 2008/09 by 31.13% than the previous year 2007/08, decreases in the year 2009/10 by 40.81% than the previous year 2008/09 and then increases by 54.75% in the year 2010/11, where investment also increases by Rs 1,670.55 million and then slightly increases by 2.12% in the year 2011/12 as compared to previous year 2010/11. The ratio again increases in the year 2012/13 by 26.34% as compared to the previous year. Thus NIBL has maintained low ratio of investment in government securities of the total deposits in the past years and again started to increase the ratio. In order to test the significance of the relationship between investment in government securities and total deposit during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix VIII and the result is +0.79 with probable error of 0.11, which shows lower degree positive correlation between investment in government securities and total deposits.

4.4.5 Investment in Shares and Debentures to Total Deposits

This ratio indicates percentage investment in shares and debentures of listed companies out of the collected deposits. It includes certain share in the total investment. They are the investments which are held for trading and to earn returns in short runs. Those investments are held for earning dividends and profit from the sale of such shares and debentures in future. Higher ratio indicates higher investment in the shares and debentures in other listed companies and vice-versa.

Investment in shares and

$$\text{Debentures to Total Deposit} = \frac{\text{Investment in Shares and Debentures}}{\text{Total Deposit}}$$

Table 4.11

Investment in Shares and Debentures to Total Deposits

(Rs in Million)

Fiscal Year	Investment in Shares and Debentures	Total Deposit	Investment in shares & Debentures to Total Deposit %	Increase in Ratio %
2005/06	17.74	14,254.57	0.12	
2006/07	17.74	18,927.31	0.09	(24.69)
2007/08	35.25	24,488.86	0.14	9.98
2008/09	54.55	34,451.73	0.16	(17.53)
2009/10	60.97	46,698.10	0.13	(17.53)
2010/11	63.35	50,094.73	0.13	(3.15)
2011/12	70.96	50,138.12	0.14	11.93
2012/13	171.86	57,010.60	0.30	112.99
Total	492.41	296,064.01		
Mean	61.55	37,008.00		

(Source: Annexure IX)

Table 4.11 indicates that investment in shares and debentures of NIBL in other public companies is in fluctuating trend till the 8 year period. It increases in the year 2010/11 by 54.74% than the previous year 2009/10 where the ratio is 8.39%. The ratio is highest in the year 2012/13 which is 0.30%. Investment in shares and debentures of NIBL is highest in the year 2012/13 which is Rs 171.86 million, where the ratio is increased by 112.99% than the previous year 2011/12 and is lowest in the year 2006/07 which is 0.09%. The ratio represents the portion of investment in shares and debentures of listed companies by NIBL.

In order to test the significance of the relationship between investment in shares and debentures and total deposit during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix IX and the result is +0.80 with probable error of 0.08, which shows higher degree positive correlation between investment in investment in shares and debentures and total deposits.

4.4.6 Other Investment to Total Deposits

This ratio presents the percentage investment in investment other than government securities, shares and debentures. Other investment comprises of investment in licensed institutions and foreign banks. These investments are held till maturity in order to earn returns in future by holding such investments till its maturity date. Higher ratio indicates higher mobilization of deposits in such other investments and lower ratio indicates lower utilization of funds in such investments.

$$\text{Other Investment to Total Deposit} = \frac{\text{Other Investment}}{\text{Total Deposit}}$$

Table 4.12

Other Investment to Total Deposit

(Rs in Million)

Fiscal Year	Other Investment	Total Deposit	Other Investment to Total Deposit %	Increase in Ratio %
2005/06	1,922.19	14,254.57	13.48	
2006/07	3,043.12	18,927.31	16.08	19.23
2007/08	3,194.39	24,488.86	13.04	(18.87)
2008/09	3,664.48	34,451.73	10.64	(18.46)
2009/10	4,807.54	46,698.10	10.29	(3.21)
2010/11	4,370.33	50,094.73	8.72	(15.26)
2011/12	3,057.54	50,138.12	6.10	(30.10)
2012/13	4,097.14	57,010.60	7.19	17.85
Total	19,094.29	205,871.53		
Mean	3,818.86	41,174.31		

(Source: Annexure X)

Table 4.12 presents that NIBL mobilization of deposits on other investments is in decreasing trend after 2006/07 yearly and then increases in the year 2012/13. The ratio decreased by 18.46% in the year 2008/09 than the previous year 2007/08. The investment is least in the year 2011/12 where the ratio is also lowest i.e. 6.10% and

the investment is Rs 3,057.54 million. Thus NIBL is decreasing its utilization of deposits in other investments.

In order to test the significance of the relationship between other investment and total deposit during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix IX and the result is +0.44 with probable error of 0.24, which shows lower degree positive correlation between investment in investment in shares and debentures and total deposits.

4.5 Profitability Ratio

4.5.1 Net Profit to Total Deposit Ratio

This ratio indicates the percentage of income earned from the mobilization of total deposit in different investments i.e. loans and advances, investments, etc. Higher ratio indicates higher return from loans and advances, investments and low ratio indicates that funds are not yielding returns.

$$\text{Net Profit to Total Deposit} = \frac{\text{Net Profit}}{\text{Total Deposit}}$$

Table 4.13

Net Profit to Total Deposit Ratio

(Rs in Million)

Fiscal Year	Net Profit	Total Deposit	Net Profit to Total Deposit %	Increase in Ratio %
2005/06	232.15	14,254.57	1.63	-
2006/07	350.54	18,927.31	1.85	13.72
2007/08	501.40	24,488.86	2.05	10.55
2008/09	696.73	34,451.73	2.02	(1.23)
2009/10	900.62	46,698.10	1.93	(4.64)
2010/11	1,265.95	50,094.73	2.53	31.03
2011/12	1,176.64	50,138.12	2.35	(7.14)
2012/13	1,039.28	57,010.60		
Total	6,163.30	296,064.01		
Mean	770.41	37,008.00		

(Source: Appendix XI)

Table 4.13 depicts that the ratio increases in the year 2006/07 by 13.72% than the previous year 2005/06, increases by 10.55% in the year 2007/08 than the previous

year 2006/07 and then decreases by 1.23% in the year 2008/09 than the previous year 2007/08 and again decreases by 4.64% in the year 2009/10 than previous year 2008/09. Net profit is in increasing order till the year 2010/11 and then decreases in the year 2011/12 and 2012/13. Since the average ratio is 1.79% NIBL is earning low returns from the mobilization of total deposits.

In order to test the significance of the relationship between net profit and total deposit during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix XI and the result is +0.95 with probable error of 0.02, which shows higher degree positive correlation between investment in net profit and total deposits.

4.5.2 Net Profit to Loans and Advances

This ratio measures the earning capacity of banks and financial institutions from the mobilization of deposits on loans and advances. Higher ratio indicates higher return from loans and advances and vice versa.

$$\text{Net Profit to Loans and Advances} = \frac{\text{Net Profit}}{\text{Loans and Advances}}$$

Table 4.14

Net Profit to Loans and Advances

(Rs in Million)

Fiscal Year	Net Profit	Loans and Advances	Net Profit to Loans and Advances %	Increase in Ratio %
2005/06	232.15	10,126.06	2.29	
2006/07	350.54	12,776.21	2.74	19.68
2007/08	501.40	17,286.43	2.90	5.72
2008/09	696.73	26,996.65	2.58	(11.02)
2009/10	900.62	36,241.21	2.49	(3.71)
2010/11	1,265.95	40,318.31	3.14	26.35
2011/12	1,176.64	41,095.51	2.86	(8.81)
2012/13	1,039.28	41,637.00	2.50	(12.82)
Total	6,163.30	226,477.37		
Mean	770.41	28,309.67		

(Source: Annexure XII)

Table 4.14 indicates that the ratio of net profit is in fluctuation trend as to the fluctuation in net profit and loans and advances. It decreases by 19.68% in the year 2006/07 than 2005/06. The ratio is highest in the year 2010/11 which is 3.14% where

net profit is also highest in the same year amounting Rs 1,265.95 million. The net profit decreases in the year 2011/12 by Rs 89.31 million and the ratio also decreases by 8.81% than the previous year 2010/11. Similarly the ratio decreases in the year 2012/13 by 12.82% than the previous year 2011/12. Hence the net profit of NIBL is in decreasing trend after 2010/11, but the loans and advances is in increasing trend yearly in the 8 year period.

In order to test the significance of the relationship between net profit and total deposit during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix XII and the result is +0.98 with probable error of 0.01, which shows higher degree positive correlation between investment in net profit and loans and advances.

4.5.3 Net Profit to Investments

The ratio indicates the percentage earned from mobilization of deposits on investments. Higher ratio indicates higher return from investments and low ratio lower return and lower mobilization of deposits on investments.

$$\text{Net Profit to Investment} = \frac{\text{Net Profit}}{\text{Investment}}$$

Table 4.15
Net Profit to Investments

(Rs in Million)

Fiscal Year	Net Profit	Investments	Net Profit to Investment %	Increase in Ratio %
2005/06	232.15	3,934.19	5.90	-
2006/07	350.54	5,602.87	6.26	6.03
2007/08	501.40	6,505.68	7.71	23.19
2008/09	696.73	6,874.02	10.14	31.51
2009/10	900.62	7,399.81	12.17	20.08
2010/11	1,265.95	8,635.53	14.66	20.45
2011/12	1,176.64	7,423.11	15.85	8.13
2012/13	1,039.28	10,438.49	9.96	(37.19)
Total	6,163.30	36,838.15		
Mean	770.41	7,367.63		

(Source: Appendix XIII)

Table 4.15 shows that the ratio of net profit to investment is in increasing order and is highest in the year 2008/09 where the ratio is 10.14% and investments is also in increasing trend till the year 2010/11 and then decreases in the year 2011/12 and again increases in the year 2012/13. It indicates in the year 2011/12 NIBL has been able to earn higher returns from the investments than in any year before and after. The ratio again decreases in the year 2012/13 by 37.19% than the previous year 2011/12, whereas the investments is in increasing trend. Since the average ratio is 10.33%, NIBL has been able to earn sufficient returns from the mobilization of deposits in investments.

In order to test the significance the of the relationship between net profit and investment during the study period Karl Pearson's correlation coefficient (r) has been calculated in appendix XIII and the result is +0.83 with probable error of 0.07, which shows higher degree positive correlation between net profit and investment.

4.6 Growth Ratio

4.6.1 Growth Ratio of Total Deposits

It indicates the percentage of growth of deposits of the bank. Higher ratio indicates higher performance of NIBL is collection of deposits from the current and new deposit holders and lower ratio indicates sluggish performance of the bank in the collection of the deposits from the account holders.

Table 4.16
Trend of Total Deposits

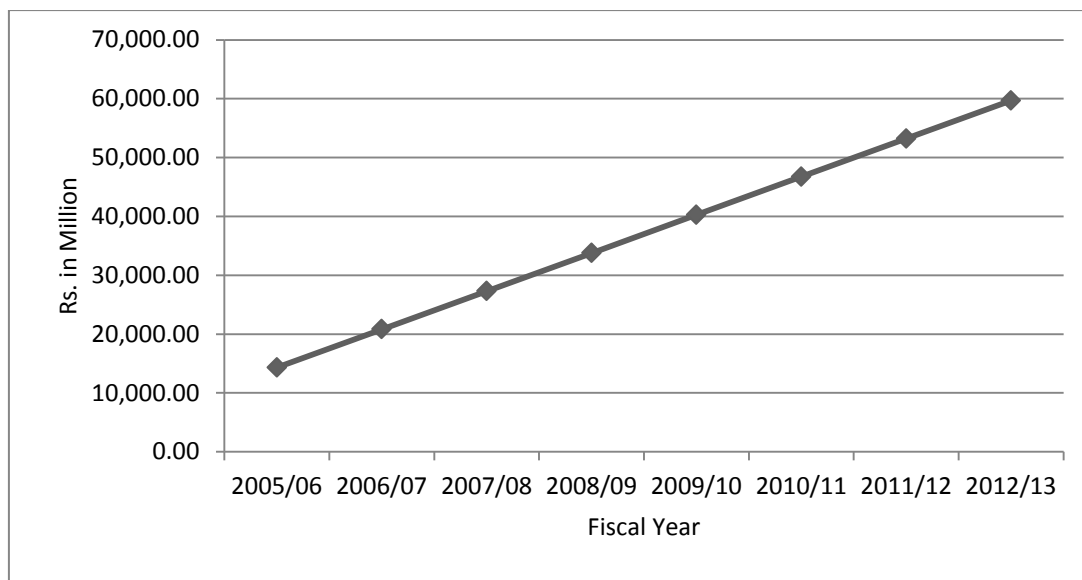
(Rs in Million)

Fiscal Year	Total Deposits	Growth Ratio of Deposit %	Trend Values
2005/06	14,254.57	-	14,324.22
2006/07	18,927.31	24.69	20,805.30
2007/08	24,488.86	22.71	27,286.38
2008/09	34,451.73	28.92	33,767.46
2009/10	46,698.10	26.22	40,248.54
2010/11	50,094.73	6.78	46,729.62
2011/12	50,138.12	0.09	53,210.70
2012/13	57,010.60	12.05	59,691.78
Total	296,064.02		
Mean	37,008.00		

(Source: Annexure XIV)

Table 4.16 indicates that the growth total deposits is in increasing order yearly, but the percentage of increment of total deposits is in fluctuating trend. Hence the deposit is highest in the year 2012/13 which is Rs 57,010.60 million which has increased by 12.05% than the previous year. The growth ratio is highest in the year 2008/09 where the ratio has increased by 28.92% than the previous year 2007/08.

Figure 4.7
Trend of Deposits



(Source Table No. 4.16)

Figure 4.7 shows that, the trend line of deposits of NIBL has an increasing trend.

4.6.2 Growth Ratio of Loans and Advances

The ratio indicates percentage growth of loans and advances and depicts about the mobilization of collected deposits on loans and advances in order to earn interests from loans and advances.

Table 4.17
Trend of Loans and Advances

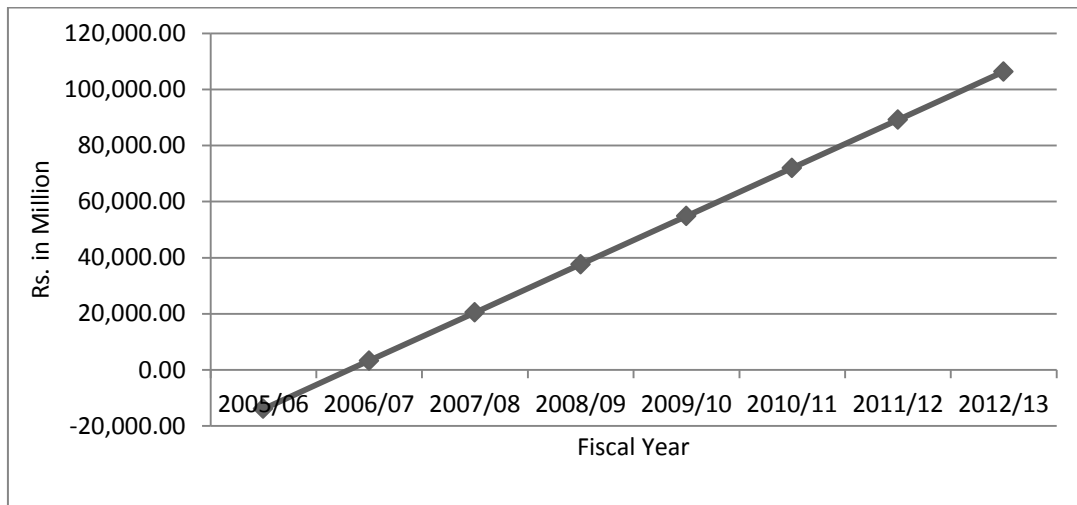
(Rs in Million)

Fiscal Year	Loans and Advances	Growth Ratio of Loans and Advances %	Trend Values
2005/06	10,126.06		(13,912.28)
2006/07	12,776.21	20.74	3,265.54
2007/08	17,286.43	26.09	20,443.36
2008/09	26,996.65	35.97	37,621.18
2009/10	36,241.21	25.51	54,799.00
2010/11	40,318.31	10.11	71,976.82
2011/12	41,095.51	1.89	89,154.64
2012/13	184,840.37	77.77	106,332.46
Total	369,680.75		
Mean	46210.09		

(Source: Appendix XV)

Table 4.17 indicates that loans and advances is in increasing trend, hence the growth ratio is highest in the year 2012/13 which is 77.77% than previous year 2011/12 where the loans and advances is Rs 184,840.37 million. The loans and advances is in increasing trend. Growth ratio is lowest in the year 2011/12 where loans and advances has increased by 1.89% only than the previous year 2000/10 in the 8 year period. The trend values shows that the loans and advances has an increasing trend.

Figure 4.8
Trend of Loans & Advances



(Source Table no. 4.17)

Figure 4.9 shows that, the trend line of loans and advances of NIBL has an increasing trend.

4.6.3 Growth Ratio of Total Investment

The ratio indicates the percentage growth in the mobilization of deposits in investment in order to earn returns from the investment. Higher growth rate indicates higher mobilization of deposits in investment and vice-versa.

Table 4.18
Trend of Total Investment

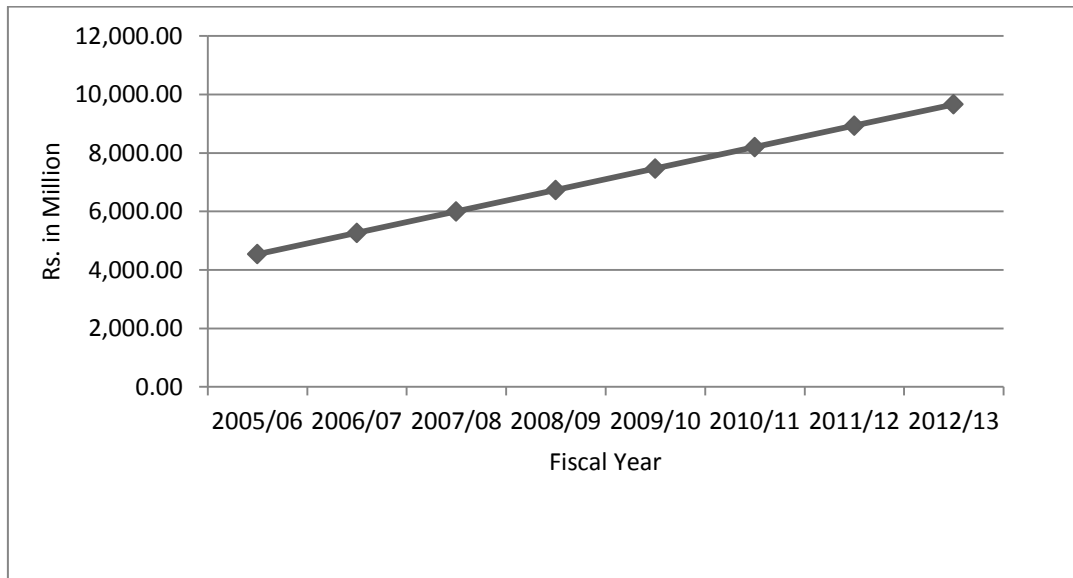
(Rs in Million)

Fiscal Year	Investment	Growth Ratio of Deposit %	Trend Values
2005/06	3,934.19		4,537.26
2006/07	5,602.87	29.78	5,269.96
2007/08	6,505.68	13.88	6,002.66
2008/09	6,874.02	5.36	6,735.36
2009/10	7,399.81	7.11	7,468.06
2010/11	8,635.53	14.31	8,200.76
2011/12	7,423.11	(16.33)	8,933.46
2012/13	10,438.49	28.89	9,666.16
Total	56,813.70		
Mean	7,101.71		

(Source: Annexure XVI)

From Table 4.18, we can conclude that the investment is in increasing trend till the year 2010/11 and then decreases by 16.33% in the year 2011/12 than the previous year. The growth ratio is highest in the year 2006/07, which is 29.78% increment than the previous year 2005/06 where investment is Rs 5,602.87 million. The investment is highest in the year 2012/13 where the investment is Rs 10,438.49 million.

Figure 4.9
Trend of Investment



(Source Table no. 4.18)

From the figure 4.9, it can be concluded that the investment of NIBL has an increasing trend.

4.6.4 Growth Ratio of Net Profit

The ratio indicates the percentage of increment in the net profit of the bank. It represents how well the bank is maintaining its financial performance. Higher ratio indicates higher profit and higher returns from the mobilization and lower ratio indicates lower performance and lower returns from the utilization of deposits.

Table 4.19
Trend of Net Profit

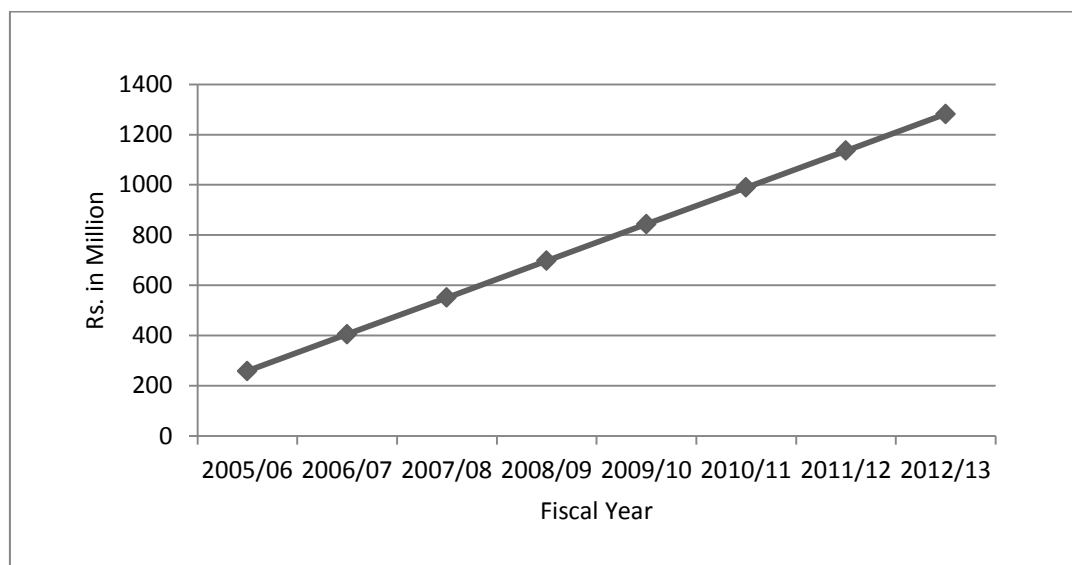
(Rs in Million)

Fiscal Year	Net Profit	Growth Ratio of Net Profit %	Trend Values
2005/06	232.15	-	258.85
2006/07	350.54	33.77	405.01
2007/08	501.40	30.09	551.17
2008/09	696.73	28.04	697.33
2009/10	900.62	22.64	843.49
2010/11	1,265.95	28.86	989.65
2011/12	1,176.64	(7.59)	1,135.81
2012/13	1,039.28	(13.22)	1,281.97
Total	6,163.30		
Mean	770.41		

(Source: Annexure XVII)

Table 4.19 indicates that the ratio of net profit is in increasing trend till the year 2010/11 and then decreases in the year 2011/12 by 7.05% than the previous year 2010/11 and again decreases by 13.22% in the year 2012/13 than the previous year 2011/12. The highest growth ratio is in the year 2006/07 where the ratio increases by 31.09% than the previous year and the net profit Rs 501.40 million. The net profit is highest in the year 2010/11 which is 1265.95 million. However the trend values shows an increasing trend of the net profit in the 8 year period.

Figure 4.10
Trend of Net Profit



(Source Table No. 4.19)

Figure 4.10 indicates that the net profit of NIBL has an increasing trend.

4.6.5 Trend Analysis of Net Profit for 5 Years

Considering above data, trend analysis of net profit of NIBL for further 5 years is given below.

Table 4.20
Trend of Net Profit

(In Million)

Fiscal Year	Trend Values
2012/13	6689.89
2013/14	9,613.09
2014/15	13,120.93
2015/16	17,213.41
2016/17	32,998.69

(Source: Annual Report)

From Table 4.20 it can be observed that the trend values of Net profit for the year 2012/13 to 2016/17 shows increasing trend. Hence upon the perfect and constant economic conditions of the country the trend of net profit is in satisfactory conditions.

4.7 Major Findings

Research work is done to find something new and relevant, based on the objective of the study. The major findings on the basis of various types of analysis are as follows:

- NIBL has classified its deposits into current, saving, fixed and others (margin and call deposits), of the deposits, saving deposits comprises the major portion of deposit till the year 2009/10 and then by fixed deposit till the 2012/13 in the 8 year study period.
- NIBL, backed by its credibility, high quality service and security has been able to increase its deposit collection consistently.
- NIBL deposits, loans and advances and investment in shares and debentures, government bonds are highest in the year 2012/13 than in any previous year in the 8 year study period.
- Of the deposit composition of NIBL, the major portion is of fixed deposit followed by saving deposits, other deposits and current deposits.
- There is an increment of 13.71% of deposits in the year 2012/13 as compared to the previous year.
- Mobilization of deposits collected by NIBL in investments is in increasing trend.
- NIBL has maintained sufficient balance in NRB line with the collection of deposits.
- NIBL has been able to maintain sufficient liquidity in hand, cash in NRB, cash in other financial institutions as call deposit in order to pay out the deposit holders on demand.
- NIBL has highest mobilization of deposits in loans and advances and then in various investments.
- NIBL has sufficiently mobilized its deposits in various sectors to earn sufficient returns as the deposit mobilization rate is higher than 93% in all the 8 year period.
- NIBL has invested its deposits in government securities, shares and debentures of public companies, in local licensed institutions and foreign banks.
- Looking at the investment portfolio, NIBL has invested higher amount of fund in local licensed institutions and foreign banks.
- NIBL has invested less in the shares and debentures of listed companies.

- NIBL has been able to collect higher deposits from the public.
- NIBL has maintained higher growth rates in deposit collection, loans and advances, investments and net profits.
- There is significant relationship between deposit and loans and advances, investments.
- NIBL has maintained significant relationship between net profit and total deposits, loans and advances and investments.
- Net profit of NIBL is in decreasing trend after the year 2011/12 and also decreases in the year 2012/13.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

With the mushrooming banks and financial institutions and NRB strict supervision and control, implementation of corporate governance, issue of directives and its timely amendments and new circulars, rules, growing power of banking association, interference by the politics has brought challenges and difficulties in the banking industry. NRB has declared many financial institutions as problematic, for example Gurkha Development Bank Ltd, NSM Financial Institution, Samjhana Finance Ltd, Crystal Finance Ltd., Kuber Merchant Finance Ltd, Himalayan Finance Ltd., etc. In such situation it is quite difficult to gain confidence from the public, hence in such cases to win the favor of public, banks come with different facilities and services to the deposit holders which increase the cost of the bank in long run.

NIBL was established in 1986 B.S and till Mid-July 2012 it has 41 branches. NIBL is the bank with highest capital among the commercial banks of Nepal. With the increase in various types of challenges and competitions in the financial market NIBL has sufficiently been able to strive strongly in the financial market with strong capital base, and financially sound performance and position. NIBL has been able to win the confidence of the public and is one of the highest profits earning banks of Nepal. The greatest achievement of the bank is the creation of well known brand name. It has been able to create its own image and brand in the Nepalese economic sector.

The main objective of the study is the analysis of deposit mobilization practice of NIBL. As per the objectives, secondary data were used. The collected data were analyzed with analytical and descriptive approach. Financial tool like financial and profitability ratio have been used to analyze the data. Similarly, accounting and statistical tool have been also been used.

The scope of the study is limited to five years i.e. fiscal year 2007/08 to 2011/12. The study concentrates in accounting and financial aspects. Thus it lacks the other area. The study has been divided into five chapters- introduction, review of literature,

research methodology, presentation and analysis of data and summary, conclusion and recommendation.

After analyzing the deposit mobilization practice of NIBL the researcher comes to the findings which were the objectives of the study. NIBL has been able to manage its collected deposits in various profitable sectors. The growth rate of deposits, loans and advances, investments and net profit is suitable as to the banking industry is concerned. NIBL has maintained sufficient cash balance in hand, in NRB and in other financial institutions in order to maintain liquidity for the purpose of paying out to the customers on demand. NIBL has higher utilization of its collected funds in loans and advances in order to earn interest income in short and long term. NIBL has been able to earn sufficient returns from the mobilized deposits and maintain stable position in the economy. Hence there is sound mobilization of deposits practiced by NIBL.

5.2 Conclusion

The study concludes that deposit and its mobilization is the major part of the banking industry. Banks always focus to increase its deposits introducing various schemes in order to increase its investment portfolio and earn sufficient returns. The day to day business of banks is not possible without the collection and utilization of funds. The elements of mobilization include loans and advances, investments in various sectors that yield sufficient returns.

NIBL has sufficient liquidity to meet its deposit liabilities. There is no any risk of insolvency. NIBL has maintained sufficient liquidity in terms of cash in hand, cash in NRB, and cash in other financial institutions to pay out the deposit of deposit holders on demand. The ratio of NRB balance to total deposit is better, which indicates high liquidity ratio. The trend of deposits, loans and advances, investments, profit is increasing yearly. The investments are yielding timely and sufficient returns. NIBL has invested in various corporate shares of other public companies which are held for trading. From the sale of such shares NIBL can further increase its liquidity and profit earnings. Hence it can be concluded that the profit earning capacity of NIBL is quite high. NIBL has high deposit mobilization rate which is above 93% in all the 5 year study period, hence NIBL is maintaining sound fund mobilization policy to earn profits from such mobilization. The strengths, opportunities and threats of NIBL are mentioned below:

Strengths

Strength is something the organization does well relative to competitors. It arises from resources and competencies available in an organization. The main strength of NIBL is that it is the bank with highest capital base among the commercial banks of Nepal. Hence it is able to sustain maximum possible risks. Despite of strong capital base, sufficient and highly efficient manpower, use of scientific and technical banking systems like ATM, credit cards, electronic banking, online banking, SMS banking, e-payment services, banking through 41 branches and strong deposit collection adds strengths to the bank than in comparison to other financial institutions of Nepal.

Opportunities

It is a major favorable situation in an organization's external environment. It provides position of superiority in relation to competitors. The opportunities for NIBL can be banking in rural areas and investment in small and medium resources and other investment opportunities.

Threats

It is major unfavorable situation in an organization's external environment. It provides position of inferiority in relation to competitors. Threats can arise from external environment, change in regulatory, statutory laws and regulations, political environment and competitions from other banks and financial institutions.

5.3 Recommendations

It is the suggestive framework based on the analysis of the study. These recommendations will be helpful for the management of NIBL, other concerned organizations, individuals, institutions and interested parties.

- Banks are suggested not to be surrounded and limited within the interest and status of big clients like multinational companies, manufacturer and exporter. The banks have to preserve the banking and saving habits of the low income people of the country.
- NIBL is recommended to increase its investment on shares and debentures on different sectors to earn more interest and to increase their net profit.
- NIBL has given more priority to invest its fund in local licensed institutions and foreign banks and depositor's money has been less utilized in investment in government securities which are risk free investment and yields interest income.

- NIBL should be careful in increasing profit of the bank to maintain the confidence of shareholders, depositors and all its customers.
- NIBL is mostly concentrated in urban areas where the population of financial institutions is high in such sectors. It should be able to expand its branches in rural areas and implement different strategies in collection of scattered deposits and invest in Small and Medium enterprises.
- NIBL must introduce more deposit schemes in order to gain confidence in the public and increase its deposits and investment portfolio.
- NIBL should mobilize the fund in risky high profitable projects rather than giving importance in investment in foreign and local licensed institutions.
- NIBL should carefully monitor its investment timely in order to save from the loss from investment.
- NIBL must further initiate strategies in order to earn more returns from investments and from loans and advances increase its net profit.
- NIBL should give attention on portfolio management so as to appropriately allocate its funds in different sectors, having different degree of risk and varying rate of return in such a way that the conflicting goals of maximum yield and minimum risk can be achieved.
- Since the net profit of the company is in decreasing trend after the year 2011/12, NIBL should develop appropriate strategies in order to earn higher returns from the investments and decrease the cost of fund to an acceptable level and increase in net profits in the coming years.
- Appropriate attention is to be given in the outflow of loans and advances and in other investments in order to invest in the profitable areas yielding higher returns.
- Risk management committee must be active in order to mitigate credit and other various risks affecting the profitability of the bank.
- Research work should be carried out periodically on the opportunities and threats of NIBL.
- NIBL must further increase its utilization of funds in loans and advances in order to earn more interest.

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ANNEXURE

Annexure-I

Let x and y Represent NRB Balance and Total Deposit Respectively

Fiscal Year	NRB Balance (Rs)	Total Deposit	(x-\bar{x})	(x-\bar{x})²	(y-\bar{y})	(y-\bar{y})²
2005/06	780.24	14,254.57	(2,428.28)	5896533.385	(22,753.43)	517718484.7
2006/07	1,526.07	18,927.31	(1,682.45)	2830654.289	(18,080.70)	326911555.7
2007/08	1,381.35	24,488.86	(1,827.17)	3338550.004	(12,519.15)	156729015.2
2008/09	1,820.01	34,451.73	(1,388.52)	1927975.197	(2,556.28)	6534544.169
2009/10	4,411.13	46,698.10	1,202.61	1446274.62	9,690.10	93898007.5
2010/11	3,237.22	50,094.73	28.70	823.433442	13,086.72	171262341.3
2011/12	4,009.46	50,138.12	800.94	641502.3366	13,130.12	172400067
2012/13	8,502.69	57,010.60	5,294.17	28028263.41	20,002.60	400104092.8
Total	25,668.17	296,064.01	-	44110576.68	-	514033517.6

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = 3,208.52$$

$$\text{Mean } (\bar{Y}) = \frac{\sum y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 2,348.15$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 8,015.87$$

$$(\text{C.V})_X = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 73.18\%$$

$$(\text{C.V})_Y = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 21.66\%$$

Annexure – II

Let X and Y Represent NRB Balance and Current and Saving Deposit Respectively

Fiscal Year	NRB Balance (Rs)	Current and Saving Deposit (Rs)	$x-\bar{x}$	$(x-\bar{x})^2$	$y-\bar{y}$	$(y-\bar{y})^2$
2005/06	780.24	8,286.54	(2,428.28)	5,896,533.38	(7,764.98)	60,294,981.00
2006/07	1,526.07	9,787.65	(1,682.45)	2,830,654.29	(6,263.88)	39,236,179.62
2007/08	1,381.35	12,917.36	(1,827.17)	3,338,550.00	(3,134.17)	9,823,000.74
2008/09	1,820.01	16,827.44	(1,388.52)	1,927,975.20	775.91	602,033.26
2009/10	4,411.13	20,822.82	1,202.61	1,446,274.62	4,771.29	22,765,254.65
2010/11	3,237.22	18,350.08	28.70	823.43	2,298.55	5,283,323.46
2011/12	4,009.46	17,533.00	800.94	641,502.34	1,481.47	2,194,760.85
2012/13	8,502.69	23,887.33	5,294.17	28,028,263.41	7,835.81	61,399,861.79
Total	25,668.17	128,412.22	-	44,110,576.68	-	201,599,395.37

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = 3,208.52$$

$$\text{Mean } (\bar{Y}) = \frac{\sum y}{N} = 16,051.53$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 2,348.15$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 5,019.95$$

$$(\text{C.V})_X = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 73.18$$

$$(\text{C.V})_Y = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 31.27$$

Annexure – III

Let X and Y Represent NRB Balance and Fixed Deposit Respectively

Fiscal Year	NRB Balance (Rs)	Fixed Deposit (Rs)	$x-\bar{x}$	$(x-\bar{x})^2$	$y-\bar{y}$	$(y-\bar{y})^2$
2005/06	780.24	3,212.27	(2,428.28)	5896533.385	(8,160.29)	66590361.31
2006/07	1,526.07	5,412.97	(1,682.45)	2830654.289	(5,959.59)	35516687.92
2007/08	1,381.35	7,516.69	(1,827.17)	3338550.004	(3,855.87)	14867738.3
2008/09	1,820.01	7,944.23	(1,388.52)	1927975.197	(3,428.32)	11753411.87
2009/10	4,411.13	11,633.38	1,202.61	1446274.62	260.82	68028.49342
2010/11	3,237.22	16,825.15	28.70	823.433442	5,452.59	29730746.32
2011/12	4,009.46	18,378.30	800.94	641502.3366	7,005.74	49080428.54
2012/13	8,502.69	20,057.48	5,294.17	28028263.41	8,684.92	75427820.64
Total	25,668.17	90,980.46	-	44,110,576.68	-	283,035,223.40

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = 3,208.52$$

$$\text{Mean } (\bar{Y}) = \frac{\sum y}{N} = 11,372.56$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum x^2}{n} - \frac{(\sum x)^2}{n}} = 2,348.15$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 5,948.06$$

$$(\text{C.V})_X = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 73.18$$

$$(\text{C.V})_Y = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 52.30$$

Annexure – IV

Let X and Y Represent Liquid Fund and Total Deposit Respectively

Fiscal Year	Liquid Fund	Total Deposit	x-\bar{x}	(x-\bar{x})²	y-\bar{y}	(y-\bar{y})²
2005/06	1,200.48	14,254.57	(4,380.65)	19190131.03	(22,753.43)	517,718,484.68
2006/07	2,266.52	18,927.31	(3,314.61)	10986663.5	(18,080.70)	326,911,555.75
2007/08	2,804.48	24,488.86	(2,776.65)	7709789.792	(12,519.15)	156,729,015.15
2008/09	3,754.94	34,451.73	(1,826.19)	3334982.535	(2,556.28)	6,534,544.17
2009/10	7,918.00	46,698.10	2,336.87	5460956.102	9,690.10	93,898,007.50
2010/11	6,815.89	50,094.73	1,234.75	1524619.441	13,086.72	171,262,341.30
2011/12	8,290.37	50,138.12	2,709.24	7339957.586	13,130.12	172,400,067.01
2012/13	11,598.39	57,010.60	6,017.25	36207331.21	20,002.60	400,104,092.79
Total	44,649.08	296,064.01	-	91,754,431.19	-	1,845,558,108.35

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = 5,581.14$$

$$\text{Mean } (\bar{Y}) = \frac{\sum y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum x^2}{n} - \frac{(\sum x)^2}{n}} = 3,386.64$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$(\text{C.V})_X = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 60.68\%$$

$$(\text{C.V})_Y = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 41.04\%$$

Annexure – V

Let X and Y Represent Fixed Deposit and Total Deposit Respectively

Fiscal Year	X	Y	x-\bar{x}	(x-\bar{x})²	y-\bar{y}	(y-\bar{y})²
2005/06	3,212.27	14,254.57	(8,160.29)	66590361.31	(22,753.43)	517718484.7
2006/07	5,412.97	18,927.31	(5,959.59)	35516687.92	(18,080.70)	326911555.7
2007/08	7,516.69	24,488.86	(3,855.87)	14867738.3	(12,519.15)	156729015.2
2008/09	7,944.23	34,451.73	(3,428.32)	11753411.87	(2,556.28)	6534544.169
2009/10	11,633.38	46,698.10	260.82	68028.49342	9,690.10	93898007.5
2010/11	16,825.15	50,094.73	5,452.59	29730746.32	13,086.72	171262341.3
2011/12	18,378.30	50,138.12	7,005.74	49080428.54	13,130.12	172400067
2012/13	20,057.48	57,010.60	8,684.92	75427820.64	20,002.60	400104092.8
Total	90,980.46	296,064.01	-	283,035,223.40	-	1,845,558,108.35

$$\text{Mean } (\bar{X}) = \frac{\sum x}{N} = 11,372.56$$

$$\text{Mean } (\bar{Y}) = \frac{\sum y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 5,948.06$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$(\text{C.V})_X = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 52.30\%$$

$$(\text{C.V})_Y = \frac{\text{S.D.}}{\text{Mean}} \times 100 = 41.04\%$$

Annexure – VI

Let X and Y Represent Loans and Advances and Total Deposit Respectively

Fiscal Year	X	Y	(x- \bar{x})	(x- \bar{x}) ²	(y- \bar{y})	(y- \bar{y}) ²	(X- \bar{X}).(Y- \bar{Y})
2005/06	10,126.06	14,254.57	(18,183.62)	330,643,883.01	(22,753.43)	517718484.7	413739592.1
2006/07	12,776.21	18,927.31	(15,533.46)	241,288,484.29	(18,080.70)	326911555.7	280855823.8
2007/08	17,286.43	24,488.86	(11,023.24)	121,511,908.70	(12,519.15)	156729015.2	138001600.6
2008/09	26,996.65	34,451.73	(1,313.02)	1,724,019.29	(2,556.28)	6534544.169	3356438.616
2009/10	36,241.21	46,698.10	7,931.54	62,909,249.84	9,690.10	93898007.5	76857356.27
2010/11	40,318.31	50,094.73	12,008.64	144,207,354.29	13,086.72	171262341.3	157153711.8
2011/12	41,095.51	50,138.12	12,785.84	163,477,784.06	13,130.12	172400067	167879662
2012/13	41,637.00	57,010.60	13,327.33	177,617,655.87	20,002.60	400104092.8	266581227.9
Total	226,477.37	296,064.01	-	1,065,762,683.48	-	1,445,454,015.56	1,237,844,185.31

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 28,309.67$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 11,542.11$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$\text{Coefficient of correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.9973$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.0012 \end{aligned}$$

Annexure – VII

Let X and Y Represent Investment and total Deposit Respectively

Fiscal Year	Investment (X)	Total Deposit (Y)	$(x-\bar{x})$	$(x-\bar{x})^2$	$(y-\bar{y})$	$(y-\bar{y})^2$	$(x-\bar{x}) \cdot (Y-\bar{Y})$
2005/06	3,934.19	14,254.57	(3,167.52)	10033204.15	(22,753.43)	517718484.7	72072014.32
2006/07	5,602.87	18,927.31	(1,498.84)	2246531.553	(18,080.70)	326911555.7	27100131.46
2007/08	6,505.68	24,488.86	(596.03)	355254.2252	(12,519.15)	156729015.2	7461812.437
2008/09	6,874.02	34,451.73	(227.69)	51842.02081	(2,556.28)	6534544.169	582034.3416
2009/10	7,399.81	46,698.10	298.10	88863.3988	9,690.10	93898007.5	2888614.908
2010/11	8,635.53	50,094.73	1,533.82	2352597.874	13,086.72	171262341.3	20072653.54
2011/12	7,423.11	50,138.12	321.39	103294.4058	13,130.12	172400067	4219948.162
2012/13	10,438.49	57,010.60	3,336.78	11134067.81	20,002.60	400104092.8	66744184.01
Total	56,813.70	296,064.01	-	26,365,655.43	-	1,845,558,108.35	201,141,393.18

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 7,101.71$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 1,815.41$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$\text{Coefficient of correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.9118$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.04 \end{aligned}$$

Annexure – VIII

**Let X and Y represent Investment in Government Securities
and total Deposit respectively**

Fiscal Year	Investment in Govt. Securities (X)	Total Deposit (Y)	(x- \bar{x})	(x- \bar{x}) ²	(y- \bar{y})	(y- \bar{y}) ²	(x- \bar{x}). (Y- \bar{Y})
2005/06	1,948.50	14,254.57	-1,561.43	2,438,062.07	(22,753.43)	517,718,484.68	35,527,873.57
2006/07	2,522.30	18,927.31	-987.63	975,412.02	(18,080.70)	326,911,555.75	17,857,028.35
2007/08	3,256.40	24,488.86	-253.53	64,277.21	(12,519.15)	156,729,015.15	3,173,972.76
2008/09	3,155.00	34,451.73	-354.93	125,974.95	(2,556.28)	6,534,544.17	907,297.56
2009/10	2,531.30	46,698.10	-978.63	957,715.69	9,690.10	93,898,007.50	(9,483,016.14)
2010/11	4,201.85	50,094.73	691.92	478,753.98	13,086.72	171,262,341.30	9,054,972.57
2011/12	4,294.60	50,138.12	784.67	615,707.80	13,130.12	172,400,067.01	10,302,818.35
2012/13	6,169.49	57,010.60	2,659.56	7,073,240.62	20,002.60	400,104,092.79	53,198,049.99
Total	28,079.44	296,064.01	-	12,729,144.34	-	1,845,558,108.35	120,538,997.01

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 3,509.93$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 1,261.41$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$\text{Coefficient of correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.78$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.09 \end{aligned}$$

Annexure – IX

Let X and Y represent Investment in shares and total Deposit respectively

Fiscal Year	Investment in Shares (X)	Total Deposits (Y)	(x- \bar{x})	(x- \bar{x}) ²	(y- \bar{y})	(y- \bar{y}) ²	(x- \bar{x}). (Y- \bar{Y})
2005/06	17.738	14,254.57	(43.81)	1,919.64	(22,753.43)	517,718,484.68	996,912.15
2006/07	17.738	18,927.31	(43.81)	1,919.64	(18,080.70)	326,911,555.75	792,182.40
2007/08	35.25	24,488.86	(26.30)	691.62	(12,519.15)	156,729,015.15	329,237.42
2008/09	54.55	34,451.73	(7.01)	49.09	(2,556.28)	6,534,544.17	17,909.81
2009/10	60.97	46,698.10	(0.58)	0.34	9,690.10	93,898,007.50	(5,632.01)
2010/11	63.35	50,094.73	1.79	3.22	13,086.72	171,262,341.30	23,474.80
2011/12	70.96	50,138.12	9.41	88.55	13,130.12	172,400,067.01	123,552.96
2012/13	171.86	57,010.60	110.31	12,168.27	20,002.60	400,104,092.79	2,206,484.79
Total	492.41	296,064.01	-	16,840.36	-	1,845,558,108.35	4,484,122.33

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 61.55$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 45.88$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$\text{Coefficient of correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.8$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.08 \end{aligned}$$

Annexure – X

Let X and Y Represent other Investment and total Deposit Respectively

Fiscal Year	Other investment (X)	Total Deposit (Y)	(x- \bar{x})	(x- \bar{x}) ²	(y- \bar{y})	(y- \bar{y}) ²	(x- \bar{x}). (Y- \bar{Y})
2005/06	1,922.19	14,254.57	(1,597.40)	2,551,702.60	(22,753.43)	517,718,484.68	36,346,438.69
2006/07	3,043.12	18,927.31	(476.47)	227,026.60	(18,080.70)	326,911,555.75	8,614,964.90
2007/08	3,194.39	24,488.86	(325.20)	105,757.38	(12,519.15)	156,729,015.15	4,071,271.25
2008/09	3,664.48	34,451.73	144.89	20,992.18	(2,556.28)	6,534,544.17	(370,370.49)
2009/10	4,807.54	46,698.10	1,287.95	1,658,814.80	9,690.10	93,898,007.50	12,480,360.75
2010/11	4,370.33	50,094.73	850.74	723,764.11	13,086.72	171,262,341.30	11,133,442.23
2011/12	3,057.54	50,138.12	(462.05)	213,486.90	13,130.12	172,400,067.01	(6,066,725.37)
2012/13	4,097.14	57,010.60	577.55	333,561.91	20,002.60	400,104,092.79	11,552,466.70
Total	28,156.73	296,064.01	-	5,835,106.49	-	1,845,558,108.35	77,761,848.67

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 3,519.59$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 854.04$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$\text{Coefficient of correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.75$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.10 \end{aligned}$$

Annexure – XI

Let X and Y Represent Net Profit and Total Deposit Respectively

Fiscal Year	Net Profit (X)	Total Deposit (Y)	(x-\bar{x})	(x-\bar{x})²	(y-\bar{y})	(y-\bar{y})²	(x-\bar{x}). (Y-\bar{Y})
2005/06	232.15	14,254.57	(538.27)	289,729.53	(22,753.43)	517718484.7	12247380.74
2006/07	350.54	18,927.31	(419.88)	176,295.84	(18,080.70)	326911555.7	7591649.902
2007/08	501.40	24,488.86	(269.01)	72,368.29	(12,519.15)	156729015.2	3367819.831
2008/09	696.73	34,451.73	(73.68)	5,428.87	(2,556.28)	6534544.169	188348.6297
2009/10	900.62	46,698.10	130.21	16,953.78	9,690.10	93898007.5	1261715.487
2010/11	1,265.95	50,094.73	495.54	245,557.11	13,086.72	171262341.3	6484958.366
2011/12	1,176.64	50,138.12	406.23	165,021.70	13,130.12	172400067	5333830.943
2012/13	1,039.28	57,010.60	268.86	72,287.43	20,002.60	400104092.8	5377963.923
Total	6,163.30	296,064.01	-	1,043,642.55	-	1,845,558,108.35	41,853,667.82

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 770.41$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008.00$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 361.19$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 15,188.64$$

$$\text{Coefficient of correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.95$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.02 \end{aligned}$$

Annexure – XII

Let X and Y Represent Net Profit and Loans and Advances Respectively

Fiscal Year	X	Y	(x- \bar{x})	(x- \bar{x}) ²	(y- \bar{y})	(y- \bar{y}) ²	(x- \bar{x}).(Y- \bar{Y})
2005/06	232.15	10,126.06	(538.27)	289,729.53	(18,183.62)	330,643,883.01	9,787,609.41
2006/07	350.54	12,776.21	(419.88)	176,295.84	(15,533.46)	241,288,484.29	6,522,128.23
2007/08	501.40	17,286.43	(269.01)	72,368.29	(11,023.24)	121,511,908.70	2,965,401.95
2008/09	696.73	26,996.65	(73.68)	5,428.87	(1,313.02)	1,724,019.29	96,744.41
2009/10	900.62	36,241.21	130.21	16,953.78	7,931.54	62,909,249.84	1,032,738.81
2010/11	1,265.95	40,318.31	495.54	245,557.11	12,008.64	144,207,354.29	5,950,726.06
2011/12	1,176.64	41,095.51	406.23	165,021.70	12,785.84	163,477,784.06	5,193,975.57
2012/13	1,039.28	41,637.00	268.86	72,287.43	13,327.33	177,617,655.87	3,583,228.09
Total	6,163.30	226,477.37	0.00	1,043,642.55	(0.00)	1,243,380,339.35	35,132,552.54

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 770.41$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 28,309.67$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 361.19$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 12,466.86$$

$$\text{Coefficient of correlation } (r) = \frac{\sum\{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.98$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.01 \end{aligned}$$

Annexure – XIII

Let X and Y Represent Net Profit and Investments Respectively

Fiscal Year	X	Y	(x-\bar{x})	(x-\bar{x})²	(y-\bar{y})	(y-\bar{y})²	(x-\bar{x}). (Y-\bar{Y})
2005/06	232.15	3,934.19	(538.27)	289,729.53	(3,167.52)	10,033,204.15	1,704,967.90
2006/07	350.54	5,602.87	(419.88)	176,295.84	(1,498.84)	2,246,531.55	629,328.35
2007/08	501.40	6,505.68	(269.01)	72,368.29	(596.03)	355,254.23	160,340.70
2008/09	696.73	6,874.02	(73.68)	5,428.87	(227.69)	51,842.02	16,776.28
2009/10	900.62	7,399.81	130.21	16,953.78	298.10	88,863.40	38,814.56
2010/11	1,265.95	8,635.53	495.54	245,557.11	1,533.82	2,352,597.87	760,063.90
2011/12	1,176.64	7,423.11	406.23	165,021.70	321.39	103,294.41	130,559.64
2012/13	1,039.28	10,438.49	268.86	72,287.43	3,336.78	11,134,067.81	897,136.07
Total	6,163.30	56,813.70	-	1,043,642.55	-	26,365,655.43	4,337,987.41

$$\text{Mean } (\bar{X}) = \frac{\sum X}{N} = 770.41$$

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 7,101.71$$

$$\text{Standard Deviation } (\sigma)_X = \sqrt{\frac{\sum X^2}{n} - \frac{(\sum X)^2}{n}} = 361.19$$

$$\text{Standard Deviation } (\sigma)_Y = \sqrt{\frac{\sum Y^2}{n} - \frac{(\sum Y)^2}{n}} = 1,815.41$$

$$\text{Coefficient of Correlation } (r) = \frac{\sum \{(X-\bar{X})(Y-\bar{Y})\}}{N\sigma_X\sigma_Y} = 0.83$$

$$\begin{aligned} \text{P.E.} &= 0.6745 \times \frac{1-r^2}{\sqrt{N}} \\ &= 0.07 \end{aligned}$$

Annexure – XIV

**Calculation of Trend values of Deposits. Let X and Y Represent
Fiscal Year and total Deposit Respectively**

Fiscal Year (X)	Total Deposit (Y)	t = 2(X-2008.5)	t²	tY	Trend Values (37,008+3,240.54t)
2005/06	14,254.57	-7	49	(99,782.02)	14,324.22
2006/07	18,927.31	-5	25	(94,636.53)	20,805.30
2007/08	24,488.86	-3	9	(73,466.57)	27,286.38
2008/09	34,451.73	-1	1	(34,451.73)	33,767.46
2009/10	46,698.10	1	1	46,698.10	40,248.54
2010/11	50,094.73	3	9	150,284.18	46,729.62
2011/12	50,138.12	5	25	250,690.61	53,210.70
2012/13	57,010.60	7	49	399,074.23	59,691.78
Total	296,064.01	-	168	544,410.28	296,064.00

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 37,008$$

$$\begin{aligned} \text{Trend Value for 2004/05} &= 37,008 + 3,240.54t \\ &= 37,008 + 3,240(-7) \\ &= 14,324.22 \end{aligned}$$

$$\begin{aligned} \text{Trend Value for 2006/07} &= 37,008 + 3,240.54t \\ &= 37,008 + 3,240(-5) \\ &= 20,805.30 \text{ and so on..} \end{aligned}$$

Annexure – XV

**Calculation of Trend Values of Loans and Advances. Let X and Y Represent
Fiscal Year and Loans and Advances Respectively**

Fiscal Year (X)	Loans and Advances (Y)	t = 2(X-2008.5)	t²	tY	Trend Values (46,210.09+8,588.91t)
2005/06	10,126.06	-7	49	(70,882.39)	(13,912.28)
2006/07	12,776.21	-5	25	(63,881.04)	3,265.54
2007/08	17,286.43	-3	9	(51,859.28)	20,443.36
2008/09	26,996.65	-1	1	(26,996.65)	37,621.18
2009/10	36,241.21	1	1	36,241.21	54,799.00
2010/11	40,318.31	3	9	120,954.92	71,976.82
2011/12	41,095.51	5	25	205,477.57	89,154.64
2012/13	184,840.37	7	49	1,293,882.61	106,332.46
Total	369,680.74	-	168	1,442,936.95	369,680.72

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 46,210.09$$

$$\begin{aligned} \text{Trend Values for 2005/06} &= 46,210.09 + 8,588.91t \\ &= 46,210.09 + 8,588.91(-7) \\ &= (13,912.28) \end{aligned}$$

$$\begin{aligned} \text{Trend Values for 2006/07} &= 46,210.09 + 8,588.91t \\ &= 46,210.09 + 8,588.91(-5) \\ &= 3,265.54 \text{ and so on.} \end{aligned}$$

Annexure – XVI

**Calculation of Trend Values of Investment. Let X and Y Represent
Fiscal Year and Investment Respectively**

Fiscal Year (X)	Investment (Y)	t= (2X-2008.5)	t²	tY	Trend Values (7,101.71+366.35t)
2005/06	3,934.19	-7	49	(27,539.32)	4,537.26
2006/07	5,602.87	-5	25	(28,014.34)	5,269.96
2007/08	6,505.68	-3	9	(19,517.04)	6,002.66
2008/09	6,874.02	-1	1	(6,874.02)	6,735.36
2009/10	7,399.81	1	1	7,399.81	7,468.06
2010/11	8,635.53	3	9	25,906.59	8,200.76
2011/12	7,423.11	5	25	37,115.53	8,933.46
2012/13	10,438.49	7	49	73,069.41	9,666.16
Total	56,813.70	-	168	61,546.62	56,813.68

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 7,101.71$$

$$\begin{aligned} \text{Trend value for 2005/06} &= 7,101.71+366.35t \\ &= 7,101.71+366.35(-7) \\ &= 4,537.26 \end{aligned}$$

$$\begin{aligned} \text{Trend Value for 2006/07} &= 7,101.71+366.35t \\ &= 7,101.71+366.35(-5) \\ &= 5,269.96 \text{ and so on.} \end{aligned}$$

Annexure – XVII

Calculation of Trend Values of Net Profit. Let X Represent

Fiscal year and Net Profit Respectively

Fiscal Year (X)	Net Profit (Y)	t= 2(X-2008.5)	t ²	tY	Trend Values (770.41+73.08t)
2005/06	232.15	(7.00)	49	-1625.03	258.85
2006/07	350.54	(5.00)	25	-1752.68	405.01
2007/08	501.40	(3.00)	9	-1504.2	551.17
2008/09	696.73	(1.00)	1	-696.732	697.33
2009/10	900.62	1.00	1	900.6191	843.49
2010/11	1,265.95	3.00	9	3797.849	989.65
2011/12	1,176.64	5.00	25	5883.205	1,135.81
2012/13	1,039.28	7.00	49	7274.929	1,281.97
Total	6,163.30	-	168	12277.96	4,217.45

$$\text{Mean } (\bar{Y}) = \frac{\sum Y}{N} = 770.41$$

$$\begin{aligned}\text{Trend Values for 2005/06} &= 770.41 + 73.08t \\ &= 770.41 + 73.08(-7) \\ &= 258.85\end{aligned}$$

$$\begin{aligned}\text{Trend Values for 2006/07} &= 770.41 + 73.08t \\ &= 770.41 + 73.08(-5) \\ &= 405.01\end{aligned}$$