

**DETERMINANTS OF BANK DEPOSIT GROWTH IN NEPALESE COMMERCIAL
BANKS**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial
fulfilment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Determinants of Bank Deposit Growth in Nepalese Commercial Banks**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirement for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declared that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Rupa Shakya has defended research proposal **entitled "Determinants of Bank Deposit Growth in Nepalese Commercial Banks"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Ramesh Kumar Paudel and submit the dissertation for evaluation and viva-voce examination.

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TABLE OF CONTENTS

Table of contents	Page No.
<i>Certification of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>viii</i>
<i>List of Figures</i>	<i>ix</i>
<i>Abbreviations</i>	<i>x</i>
<i>Abstract</i>	<i>xi</i>
Chapter-I: Introduction	1-6
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Objectives of the Study	4
1.4 Hypothesis	4
1.5 Rational of the Study	5
1.6 Limitations of the Study	6
Chapter-II: Literature Review	7-23
2.1 Theoretical Review	7
2.1.1 Bank lead theory	7
2.1.2 Diffusion of innovation theory	7
2.2 Empirical Review	8
2.3 Research Gap	23
Chapter-III: Research Methodology	24-33
3.1 Research design	24
3.2 Populations and sample	24
3.3 Sources of Data	25
3.4 Methods of Analysis	25
3.5 Research framework and Definition of the variables	29

Chapter-IV: Result and Discussion	34-57
4.1 Results	34
4.1.1 Structure of deposit growth, firm-specific and Macro - economic variable	34
4.1.2 Descriptive analysis	44
4.1.3 Correlation analysis	45
4.1.4 Regression Analysis	47
4.2 Discussions	54
Chapter-V: Summary and Conclusion	58-62
5.1 Summary	58
5.2 Conclusion	59
5.3 Implications	61
REFERENCES	63-65
APPENDICE	66-67

LIST OF TABLES

	Page
Table 1: Saving deposit growth	34
Table 2: Fixed deposit growth	36
Table 3: Current deposit growth	37
Table 4: Saving Deposit interest rate	39
Table 5: Fixed deposit interest rate	40
Table 6: Number of branch	41
Table 7: Capital Adequacy	42
Table 8: Growth of Consumer price, Money supply and Real GDP	43
Table 9: Descriptive analysis	44
Table 10: Karl person's correlation	45
Table 11: Estimated regression results	47
Table 12: Estimated regression results	49
Table 13: Estimated regression results	51
Table 14: Research Hypothesis	53

LIST OF FIGURE

	Page No.
Figure 1 Research Framework of the study	29

ABBREVIATIONS

ANOVA:	Analysis of Variance
NRB:	Nepal Rastra Bank
Rs.	Rupees
S.D.	Standard deviation
GDP:	Gross domestic product
SDIR:	Saving deposit interest rate
NB:	Number of branch
CA:	Capital Adequacy
CPI:	Consumer price index
MS:	Money supply
FDIR:	Fixed deposit interest rate
ROA:	Return on assets
NEPSE:	Nepal stock exchange
NMB:	Nepal Merchant Banking and Finance Ltd
GIME:	Global IME bank
PCL:	Prime commercial bank
EBL:	Everest bank limited
LBL:	Laxmi bank limited
SIBL:	Siddhartha bank limited
MBL:	Macchhaphure bank limited
NBL:	Nepal bank limited
HBL:	Himalayan bank limited
SBL:	Sunrise bank limited
SVDG:	Saving deposit growth
FXDG:	Fixed deposit growth
CRDG:	Current deposit growth
SPSS:	Statistical Package for Social Sciences

ABSTRACT

This study investigates the impact of bank specific and macroeconomic variables on the deposit growth of Nepalese commercial banks. This study based on descriptive and casual research design. Data from ten commercial banks over the period from 2011/12 to 2021/22 basis of random sampling method. In this study saving deposit growth, fixed deposit growth and current deposit growth are identified as the dependent variables, while the independent variables include SDIR, FDIR, NB, CA, MS and GDP. Descriptive analysis, correlation and regression analysis and t test have been conducted in this research. For the data analysis the statistical package for social science (SPSS-29) version have been employed. The correlation analysis shows that the saving interest rate, capital adequacy, consumer price index and gross domestic product have negative correlation with saving deposit growth while number of branch and money supply show a positive correlation. Fixed deposit interest rate, number of branches, capital adequacy and consumer price index have positive correlation with fixed deposit growth whereas money supply and gross domestic product have negative correlation. For current deposit growth, the number of branches and money supply have positive correlation while Capital adequacy, consumer price index and gross domestic product show a negative correlation. The multiple regression analysis reveals that saving deposit interest rate, no of branches, money supply have positive and statically significant impact, capital adequacy has negative and insignificant impact and consumer price index and gross domestic product have a negative and significant impact on saving deposit growth. Fixed deposit interest rate, no of branches, consumer price index, money supply and gross domestic product have negative and insignificant impact on fixed deposit growth but capital adequacy has negative and significant impact. For current deposit growth, the no of branches and money supply have a positive and insignificant impact, capital adequacy has negative and significant impact and consumer price index and gross domestic product have negative and insignificant impact.

Keywords: Deposit growth, Commercial bank, bank specific variable and macroeconomics variables

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Deposit is a financial transaction where money is placed into a bank or institution by an individual and organization. This money is stored in an account, such as saving, and fixed deposit account, and it is usually available for withdrawals, transfer or earning interest, depending on the type of account. The bank may use these deposits to provide loans to other customer making deposits a fundamental sources of funding for banks and a critical component of the financial system.

Deposits are the fundamental raw materials for bank's credit management. They serve as the primary source of funding for commercial banks, allowing them to operate effectively. By collecting deposits from individual and business nationwide, bank mobilize these funds into lending activities. This can occur directly through loans or indirectly via investment in the capital market. Thus, deposits not only enable banks to extend credit but also support broader economic growth by facilitating financial transaction and investment. Deposits are an essential tool in the banking industry, allowing banks to enhance their profitability by advancing funds to customers in the form of loan, which generate interest income. This lending activities is only possible if banks can mobilize sufficient funds from their customer deposit.

Commercial banks engage in two primary activities: accepting deposit from individual and institutional customer and mobilizing those deposit into various profitable sector. Deposit mobilization is a crucial function of conventional financial institution, serving as a vital sources of working funds for banks and other financial organization. It is closely link to credit creation, therefore to generate more credit, bank must collect as many deposits as possible from their customer. To increase deposit collection, banks often conduct special campaigns to interact with potential customers and encourage them to open accounts. Deposits are essential for the banking business, encompassing various types with different maturity patterns and interest rates. The success of deposit mobilization depends significantly on the cost of deposits, offering attractive interest rates can enhance a bank's ability to attract more deposits.

Deposit is one of the important elements of the banking business. Without a deposit function of bank cannot be imagined. Many factors determine a bank's deposit such as saving deposit rate, fixed deposit rate, number of branches, return on assets, population growth rate, money supply, gross domestic product, consumer price index, exchange rate, security, bank image, bank service, and so on. Deposit growth is a multifaceted metric that reflects economic conditions, consumer behavior, and the effectiveness of monetary policies. It plays a crucial role in a bank's operations, impacting liquidity, profitability, and the ability to support credit creation in the broader economy. Monitoring deposit growth is vital for assessing the overall health and resilience of the banking sector.

Bank deposit growth is the increase in the total amount of money deposited by customer in a bank over a specified period. This growth is a critical measure of a bank's ability to attract saving from individual, business and institutions, reflecting its financial health, stability and capacity to support lending activities. According to Mishkin (2019), bank deposit growth is influenced by factors such as interest rate, economic conditions and customer confidence in the banking system.

Pradhan and Paneru (2016) analyzed macroeconomic determinants of bank deposit of Nepalese commercial banks. In this study fixed deposit and saving deposit are dependent variable where GDP growth rate, inflation, no of branches and ROA are independent variable. This implies that these explanatory variables have a positive impact on the bank deposits of commercial banks and a change in it will yield the highest change in bank deposits.

Dhungana (2011) examine the bank's deposit and its impact on economic growth of Nepal. The study basically focused to study the impact of banking sectors of commercial banks on economic growth of Nepal. The study conclude that higher the deposit of financial institutions, higher the level of GDP and economic growth of the nation. Moreover, the economic growth and development of nation largely depends on the deposit and investment made by the banks.

Ahmed et al. (2021), examine major causes of deposit growth in commercial banks in Ethiopia with explicit inference on industry specific and macroeconomic variables. Bank size, broad money supply, inflation and branch expansion significantly impact on deposit growth and age dependency ratio and population growth negatively effect on deposit

growth. The unemployment rate positively correlated but is statically insignificant, bank size shows a positive but insignificant relationship with deposit.

In the Nepalese context growth of total deposit is in increasing trend. According to the research of CEICDATA growth of total deposits is in increasing trend averaging 16.5 % from Jan 2002 to Sep 2023, with 261 observations. Nepal's total deposit growth was reported at 13% in Sep 2023. This records an increase from the previous number of 11.6% for Aug 2023. The data reached an all-time high of 40.2% in Dec 2020 and a record low of 7.7% in Aug 2011(<https://www.ceicdata.com>).

Commercial banks of Nepal are now trying to attract more deposits by introducing attractive savings structures. Under the provision of the Nepal government to maintain bank accounts of every Nepali citizen, the Government had motivated and forced every bank to expand their branches in every rural municipality of Nepal to provide services to Nepalese citizens. As a result, one rural municipality got one bank according to the instructions of NRB allotment guidelines. It helps banks to expand and operate their branches in every rural part of the country and make all possible efforts to search for new deposits. As a result, an increase in deposits can lead to greater capital formation, which contributes to economic growth. Economic growth is dependent on capital accumulation, which is closely tied to investment levels and the amount of savings available to finance those investments.

1.2 Problem Statement

The primary objective of a bank is to gather as many deposits as possible from customers and to allocate those funds into the most profitable and preferred sectors. In the process of deposit collection (i.e., accepting deposits) many elements affect a bank's deposit such as saving deposit rate, fixed deposit rate, number of branches, return on assets, population growth rate, money supply, gross domestic product, consumer price index, exchange rate, security, bank image, bank service and so on.

According to Khaniya (2014), examine the determinants of bank deposit in Nepalese commercial banks. The results indicated that both bank specific and macroeconomic variables significantly impact the deposits of these banks, however bank specific variables were found to be more influential. Key bank specific factors, such as lagged deposits, bank size and lagged bank size, showed a significant effect on the dependent

variable. Among the macroeconomic variables the lagged gross domestic product growth rate, inflation rate had significant negative impacts on the deposits of Nepalese commercial banks.

Since depositors' funds serve as a primary source for commercial bank deposits, they play a crucial role in the bank's funding base, there are relationships between bank's deposits and both bank-specific variables, and macroeconomic variables. Therefore, the present study focuses on the determination of bank deposits in Nepalese commercial banks and addressing the following research questions.

- i. What is the situation of bank deposit growth in Nepalese commercial banks?
- ii. Is there any relationship between bank-specific variables and macroeconomic variables with bank deposits growth of Nepalese commercial banks?
- iii. How do bank-specific variables and macroeconomic variables affect bank deposit growth?

1.3 Objectives of the Study

The general objectives of this study is to analyze the factors affecting the deposit growth of Nepalese commercial banks. The specific objectives of the study are outlined as follows:

- i. To assess the trend of bank deposit growth of commercial banks in Nepal.
- ii. To examine the relationship of bank specific variable (saving deposit interest rate, fixed deposit interest rate, number of branches, capital adequacy) and macroeconomic variable (money supply, gross domestic products, consumer price index) on bank deposit growth in Nepalese commercial banks.
- iii. To analyze the effect of bank-specific variables (saving deposit interest rate, fixed deposit interest rate, number of branches, capital adequacy) and macroeconomic variables (money supply, gross domestic product, consumer price index) on bank deposit growth in Nepalese commercial banks.

1.4 Hypothesis

The hypothesis is the process of testing significance regarding the parameter of the population based on a sample drawn from the population. In testing the hypothesis, we

examine based on statistics computed from the sample drawn, whether the sample drawn belongs to the parent population with certain specific characteristics or not.

The proposed research tentative assumptions are:

H₁1: SDIR has a significant impact on banks saving deposit growth.

H₁2: NB has a significant impact on banks saving deposit growth.

H₁3: CA has a significant impact on banks saving deposit growth.

H₁4: CPI has a significant impact on banks' saving deposit growth.

H₁5: MS has a significant impact on banks' saving deposit growth.

H₁6: GDP has a significant impact on banks' saving deposit growth.

H₁7: FDIR has a significant impact on banks' fixed deposit growth.

H₁8: NB has a significant impact on banks' fixed deposit growth.

H₁9: CA has a significant impact on banks' fixed deposit growth.

H₁10: CPI has a significant impact on banks' fixed deposit growth.

H₁11: MS has a significant impact on banks' fixed deposit growth.

H₁12: GDP has a significant impact on banks' fixed deposit growth.

H₁13: NB has a significant impact on banks' current deposit growth.

H₁14: CA has a significant impact on banks' current deposit growth.

H₁15: CPI has a significant impact on banks' current deposit growth.

H₁16: MS has a significant impact on banks' current deposit growth.

H₁17: GDP has a significant impact on banks' current deposit growth.

1.5 Rationale of the Study

The study titled “Determinants of Bank Deposit Growth” is expected to provide valuable insights for commercial banks, academicians, and bank management, helping them understand and apply key factors that influence deposit growth for improved strategies and decision making .Therefore the study provide the following key benefits:

- i. This study helps commercial banks increase their deposits by identifying the key factors that influence deposit growth.
- ii. This study contributes to the body of knowledge by identifying the potential relationship between bank deposits and factors influencing them, serving as a valuable resource for future researchers.
- iii. This study also helps to make policies and programs to improve the performance of the bank by knowing the challenges in bank deposit growth.

- iv. The study provides valuable insights to stakeholders, such as board members, executive management, and other interested parties, to promote deposit growth in commercial banks.

1.6 Limitations of the study

This study is simply a study for the partial fulfilment of an MBS degree, which has to be finished within a short period. This is not without several limitations that undermine the objectives of the study. Some of the limitations are given below:

- i. This study is only concerned with a period of 10 years (2012/13 to 2021/22).
- ii. This study is only concerned with the determination of bank deposits growth of some selected banks.
- iii. This study is based on secondary data.
- iv. This study covers only a financial aspect.
- v. Due to a lack of experience in data collection, the reliability of this study depends on the available data.
- vi. Out of 20 commercial banks, only 10 banks are taken as a sample.
- vii. Other variables affecting commercial banks' deposits are ignored.

CHAPTER - II

LITERATURE REVIEW

In this chapter, the literature on commercial bank deposit aspects was reviewed. The views of other authors and previous research on deposits were discussed. The first sub-part discussed the theoretical review to have a greater understanding of aspects of deposit. The second sub-part presents a review of empirical studies. The gaps in existing literature are described in the third part.

2.1 Theoretical Review

2.1.1 Bank led theory

In the bank led theory, a financial institution provides its financial services through retail agents. These retail agents interact directly with customers and perform functions similar to those of branch based teller, facilitating transactions and enhancing customer access to banking services. This model enables banks to extend their reach and improve financial inclusion by leveraging local outlets for service delivery. The bank led model provides a unique alternative to traditional branch based banking by enabling customer to perform financial transaction through a diverse network of retail agents rather than solely at bank branches. In this model, the bank remains the primary provider of financial services, where customer maintain their accounts. Retail agents engaged directly with customers, offering face to face interactions and performing cash- in and cash- out functions similar to those of a bank teller (Lyman, Ivatury and Staschen, 2006). The bank led theory is relevant to the study as it highlights how financial institution such as banks deliver their services through retail agents. In this model banks develop financial products and services but rely on retail agent for distribution. This approach serves as a means for commercial banks to mobilize deposits, promoting financial inclusion and facilitating transactions, particularly in areas where physical bank branches are absent. By implementing this model bank can effectively increase their deposit base, ultimately enhancing their financial performance.

2.1.2 Diffusion of innovations theory

The diffusion of innovations theory is a frame work that explains how, why, and at what rate new ideas and technologies spread through cultures. According to Rogers (2003), diffusion is the process by which an innovation is communicated through specific

channels over time among participants in a social system. The origins of this theory are interdisciplinary, drawing from various fields of study. Diffusion is a specialized form of communication focused on new ideas, it involves a series of actions and choices over time through which individuals or organizations evaluate a new idea and decide whether to incorporate it into their ongoing practices. This process involves managing the uncertainty that accompanies the decision to adopt a new alternative compared to existing options. The perceived newness of the innovation and the associated uncertainty are distinctive aspects of innovation decision making. (Rogers, 2003). This theory is relevant to the study as it demonstrates the process of introducing and adopting new innovations. The Diffusion of Innovations Theory can be effectively applied to increase bank deposits by leveraging its key elements: innovation, communication channels, time, and the social system.

2.2 Empirical Review

Dhungana (2011) analyzed on impact of bank's deposit in economic growth of Nepal over the period of 1990 to 2010 AD. The study is focused on the impact of banking sectors, especially commercial banks on economic growth of Nepal. The relationship of bank deposit and its impact on economic growth of Nepal has been analyzed with help of statistical software. The banking sector has been playing dual role of mobilizing as well as allocating limited resources towards people' needs so as to develop the economic system. This study concludes that a higher level of deposits in financial institutions correlates with increased GDP and economic growth for the nation. Moreover, the economic growth and development of the nation largely depends on the deposits and investment made by the banks. The impact of total deposit of commercial banks has positive effect toward the GDP. The economic growth of the country (the nominal GDP) is highly affected by the total deposit of commercial banks. It can be concluded from the above analysis that higher the deposit of commercial banks, higher the level of nominal GDP and economic growth of the nation. The correlation between GDP and total deposit of commercial banks is 0.996. Thus, there is a strong positive correlation between them. It can be noted that the correlation between GDP and total deposit of commercial banks is significant at 1 percent level of significance

Siyanbola et al. (2012) analyzed on Effect of interest rate deregulations on bank deposit mobilization in Nigeria. The primary objective of this study was to examine the impact of

interest rate deregulations on bank deposit mobilization in Nigeria. This investigation utilize secondary data analysis covering the period 1985-2011. The dependent variable is the interest rate and the independent variables are saving deposit, Time deposit, Money supply, and Total Institutional Savings. The study used the Ordinary Least Square (OLS) Regression method to analyze data. The major finding of the study is saving deposits, time deposits, money supply, and total institutional savings have a positive and significant relationship with interest rates at a 5% level of significance. The value of R-squared is 0.79242. It means 79% of the variance of the dependent variable (interest rate) being studied is explained by the variance of the independent variable (Saving deposit, Time deposit, Money supply and Total Institutional Savings). The value of coefficient b1, b2, b3 and b4 have 6.8854, 0.00149, 5.37607, and 7.744507 which shows positive relation between b1, b2, b3, b4 and dependent variable. It means every 1 unit increase in the independent variable; the dependent variable will increase by beta coefficient value. In effect $T_{cal} > T_{tab}$ (0.05) for b_0 . The implication is that we accept the alternative hypothesis (H1), i.e., there is a positive relationship between Saving Deposits and Interest Rate at a 5% significant level. Again, at the same level of significance, Time Deposit, Money Supply, and Total Institutional Savings are all statistically related to the dependent variable (IN).

Pravin et al. (2014) investigated the Evaluation of Individual Depositor's Satisfaction with the deposit management services of commercial banks in Bangladesh. The objective of the study was to measure depositor's satisfaction with the deposit management of different commercial banks in Bangladesh. The study used a descriptive research design with a sample size of 270 individual depositors from 10 commercial banks. The dependent variable is overall satisfaction with deposit management and the independent variable is satisfaction-specific factors (Reliability, Responsiveness, Assurance, Empathy, Tangible) Customer -Specific factors (Age, Gender, Marital Status, Bank type, bank ownership, account type experience of banking level of education, Profession, Monthly Income). The study used descriptive statistics tools i.e. (Frequency, Percentage, Mean, and Standard Deviation) and Multiple Regression to analyze data. The result revealed that there is a statistically significance effect of Responsiveness, Assurance, and Tangible on overall satisfaction level from deposit management. At a 5% significance level the correlation is 60.6% .it has been found that independent variable has a statically significant effect on the dependent variable. The value of R Square is 0.367 which means

36.7% of the dependent variables can be explained by the independent variables. The value of β_1 has a negative value i.e. -1.46 which shows the negative relation between the coefficient of β_1 and the dependent variable. It means that for every 1 unit increase in the independent variable, the dependent variable will decrease by beta coefficient value. The value of β_2 , β_3 , β_4 and β_5 has positive value i.e. 0.320, 0.385, 0.056, and 0.06575 which shows positive relation between coefficient of beta and dependent variable. It means that every unit increase in the independent variable the dependent variable will increase by beta coefficient value.

Tuyishime et al. (2015) analyzed on effects of deposit mobilization on the financial performance of commercial banks in Rwanda. The study aims to evaluate the impact of deposit mobilization on the financial performance of commercial banks in Rwanda, with a particular emphasis on Equity Bank Rwanda Limited. Deposit are crucial for commercial banks, enhancing profitability by enabling them to lend mobilized deposits to customer, generating interest income. The ability to lend effectively hinges on the banks capacity to mobilize sufficient funds from customers. The specific objectives of this study are to determine the effect of marketing strategies on the financial performance of commercial banks in Rwanda, to establish the effect of interest rate changes on the financial performance of commercial banks in Rwanda, to assess the impact of newly introduced banking technology on the financial performance of commercial banks in Rwanda. The study targeted bank managers involved in deposit mobilization, specifically the marketing team and branch management team at Equity bank Rwanda. A census approach was employed, studying a population of 27 staff members. The research utilize both primary and secondary data. Data collection method included the documentary method and questioners. Descriptive statistics were used to process the data after editing with SPSS version 20 employed for analysis. Person and Spearman's correlation analysis were conducted to examine the nature of relationship between variables. The key finding indicated that approximately 85% respondent indicated that Equity bank's brand is well recognized, aiding in overcoming competitive challenges. The implemented marketing strategies have led to an increase customer number and subsequently higher deposit level over the years. Positive changes in deposit interest rate were associated with increase deposit, which in turn affected the bank profitability. The introduction of innovation banking technologies resulted in a low cost increase in deposit, improving access to financial services for unbanked individuals. This positively influenced ROA, ROE and

net profit as loan volume increase. The statistical correlation revealed that a positive relationship was found between deposits mobilization and financial performance of commercial banks in Rwanda, specifically at Equity Bank. The study recommends that Equity bank develop additional marketing strategies to enhance deposit mobilization, as it is essential for the bank's profitability.

Palihena and Rathnayaka (2015) examined on Impact of deposit mobilization services on bank performance, focusing specifically concerning people's banks in Sri Lanka. The objective of the study was to identify the impact of deposit mobilization services on bank performance, to identify the relationship between interest rates and promotion costs with total deposits, to identify the relationship between interest rates and promotion costs with ROA and to identify the most significant factors in deposit mobilization. This study is based on secondary data analysis form the year 1995-2014. The dependent variables are ROA and Total Deposit and independent variables are Interest rate and Promotion Cost. The study is used descriptive statistical analysis and regression analysis. The major finding of this research is in model 1 R-square 0.484 means that IR and PC explained 48.4% of total variance of ROA while rest is due to some other variables. The beta coefficient is -0.936 and its significant value are 0.164 which is higher than 0.05 level of significance. Therefore, there is no significant relation between IR and ROA. But PC has positive value ($B_1=0.531$) and significant because it p value is 0.003. It indicates that the PC has a strong effect on ROA than the effect of the interest rates declares by the bank. F value is 7.026 with significance value of 0.007. In model 2 R-square 0.974 means that variance of total deposit is due to the effect IR and PC explains 97.4% of total variance of ROA while rest is due to some other variables. The beta value of IR -0.019 means that there is a weak negative relationship between IR and total deposit and this relationship is insignificant because p value is 0.899 it's higher than significant value of 0.05. In other hand beta value of PC 0.858 it is significant with a p value of 0.000 which is less than 0.05 significance level. F value is 321.59 with significance value of 0.000.

Pradhan and Paneru (2016) investigated the macroeconomic determinant of bank deposit in Nepalese commercial banks. The study examine both bank-specific and macro-economic factors and utilize a pooled cross-sectional analysis of secondary data from 18 commercial banks listed on NEPSE, comprising 108 observations from the period of 2008 to 2013. This study adopts a quantitative research approach, utilizing the Statistical package SPSS for the data analysis. In this context, fixed deposit and saving deposit are

the dependent variables while GDP, inflation, number of branches, and ROA are serve as independent variables .This study concluded that lagged log fixed deposits, numbers of branches, trends, and lagged log saving deposits are significant variable influencing deposits in the Nepalese banking sector. The major finding of the study is the relationship between gross domestic products, inflation, and Return on Assets is negatively correlated with bank fixed deposits. On the other hand Number of branches is positively correlated with bank fixed deposited. To test the statistical significance of the result the beta coefficients are positive for several branches, with fixed deposit. This indicate that an increase in these variables would lead to an increase in bank fixed deposit, with beta coefficient being significant at a 5 percent level of significance. The result indicates that the higher the number of branches is associated with an increase in the bank's fixed deposit. The beta coefficients for GDP, inflation, and return on assets are negative in relation to fixed deposit. This suggests that a decrease in GDP, inflation, and return on assets is associated with an increase in bank fixed deposit .However the beta coefficients for these variables are not statically significant. The regression analysis of saving deposits indicates a positive beta coefficient for number of branches, suggesting that an increase in the number of branches is associated with higher saving deposits. Therefore, an increase in these variables would lead to an increase in bank saving deposit. However, the coefficient for the number of branches is significant at 5 percent level of significance. The beta coefficient for GDP, inflation return on assets are negative in relation to saving deposit growth. This indicates that lower level of GDP, inflation, return on assets are associated with decrease bank saving deposits. However the beta coefficients for of these variables are not statically significant. This suggests that while these explanatory variables have a substantial impact on the deposit of commercial banks, changes in them may not lead to significant changes in banks deposits.

Mamo (2017) conducted a study titled ‘An investigation of determinants of deposit mobilization in commercial banks of Ethiopia.’ The objectives of this research were to identify the factors influencing resource mobilization, evaluate the impact of these factors on bank profitability, and recommend strategies to enhance deposit mobilization. The study used Casual research design with a period of 20 year. The dependent variable in the study is total deposits, while the independent variables include paid loans, interest rates, number of customers, branch expansion, and the emergence of new potential competitors. The study employed multiple linear regression methodology for analysis. "The study

utilized multiple linear regression methodology. The findings indicate that the regression output showed that loans, the number of customers, branch expansion, and the emergence of new competitors significantly affect resource mobilization through customer deposits, although the number of competitors has a negative impact. Conversely, the interest rate positively affects resource mobilization through customer deposits but is statistically insignificant. The model explains approximately 99.98% of the variation in the dependent variable, total deposits, with the remaining 0.02% attributed to the stochastic term, indicating a good model fit. The beta coefficient for loans is 10.37082, suggesting that a one-unit increase in the amount of loans results in an increase of 10.37082 in total deposits, which is significant and has a positive effect. The beta coefficient for the number of customers is 2163.169, indicating that a one-unit increase in the number of customers leads to an increase of 2163.169 in total deposits, also significant and positive. The beta coefficient for the number of branches is $1.88e+07$, meaning that a one-unit increase in the number of branches results in an increase of $1.88e+07$ in total deposits, which is significant and positive. In contrast, the coefficient for competitors is -7254556, meaning that a one-unit increase in the number of competitors leads to a decline of 7254556 in total deposits, which is significant and negative. The beta coefficient for interest is 224666.3, indicating that a one-unit increase in the interest rate results in an increase of 224666.3 in total deposits, though this effect is statistically insignificant. Among the five explanatory variables, four—loans (P-value = 0.000), number of customers (P-value = 0.000), number of branches (P-value = 0.0060), and competitors (P-value = 0.0050)—are statistically significantly associated with total deposits at the 0.05 level of significance. Only the interest rate is statistically insignificant (P-value = 0.957) at the 0.05 level, but it is positively related to total deposits, while the number of competitors is negatively related, with a coefficient of -2572352.

Zewde et al. (2018) conducted a study on the determinants of deposit mobilization in Ethiopian commercial banks. The primary objective of this research was to identify the factors influencing commercial bank deposits in Ethiopia. The study analyzed data from a sample of seven commercial banks covering the period from 2002 to 2016. Given the secondary nature of the data, a quantitative research approach was employed, along with the Hausman test. Both internal and external factors were included in the analysis. The internal factors examined in the study comprised the loan-to-deposit ratio, loan loss provision, capital adequacy, profitability, and branch expansion, while the inflation rate

was considered an external factor. An unnecessary random effects test was performed using the Hausman specification test, which led to the adoption of a fixed effects model based on the results. Data were collected from the financial statements of the commercial banks and the National Bank of Ethiopia. A balanced panel fixed effects regression model was used to analyze both internal and external variables. The findings revealed that loan loss provision and the loan-to-deposit ratio had negative and statistically significant impacts on the deposits of Ethiopian commercial banks. In contrast, profitability, capital adequacy ratio, return on assets, and branch expansion had positive and statistically significant impacts on deposits. The R-squared value of 55.37% indicates that 55.37% of the variation in bank deposit mobilization is explained by the independent variables included in the model. The coefficients for the loan-to-deposit ratio and loan loss provision were -4.360932 and -3.87978, respectively, indicating an inverse relationship between these two variables and deposit mobilization. Conversely, variables such as the capital adequacy ratio, return on assets, branch expansion, and inflation rate showed positive relationships with deposit mobilization, with respective coefficients of 9.817776, 27.44499, 0.103882, and 0.7083479.

Kumari and Gunasekara (2018) investigated the factors affecting deposit mobilization in Sri Lanka. The main objective of this study was to identify the most effective factors influencing deposit mobilization. Using a random sampling method, the researchers selected 120 deposit account holders from three different convenient sample areas. Questionnaires were designed to collect primary data, which was then analyzed using descriptive statistics and regression analysis. The study found a significant positive relationship between deposit mobilization and several factors, including deposit interest rate, security, branch expansion, services, technology, and awareness. Additionally, a significant relationship was identified between the living area and the number of deposits, as well as demographic variables such as gender, occupation, education level, and income, all of which significantly affected deposit mobilization. The authors concluded that deposit mobilization is a key focus for many banks; however, the findings revealed that it is becoming increasingly challenging for banks in Sri Lanka to meet the growing demand for loans. The R-squared value of 69% indicates that 69% of the variance in the dependent variable is explained by the independent variables. Among these, services emerged as the most influential factor affecting deposit mobilization ($\beta = 3391.42$), followed closely by awareness ($\beta = 3307$). Other factors included security ($\beta = 1296$),

deposit interest rate ($\beta = 820$), branch expansion ($\beta = 801$), and technology ($\beta = 271$). The beta (β) values for the independent variables indicate the extent of their impact on deposit mobilization. Specifically, the β value of an independent variable reflects how much the dependent variable will increase or decrease as a result of a change in that specific independent variable, while holding others constant. Furthermore, there was a strong positive correlation between bank-specific factors and deposit mobilization. Hypothesis testing showed that demographic variables—such as gender, employment, income, education level, occupation, living area, deposit interest rate, security, branch expansion, services, technology, and awareness—had significant relationships with deposit mobilization, leading to the acceptance of the alternative hypothesis ($P < 0.05$). In contrast, demographic variables such as age and civil status did not show significant relationships with deposit mobilization ($P > 0.05$).

Islam et al. (2019) analyze on Determinants of deposit mobilization of private commercial banks: evidence from Bangladesh. The objective of this study is to examine the effects of firm-specific variables and macroeconomic variables on the deposit mobilization of private commercial banks in Bangladesh. The study used a quantitative research design with a sample size 14 out of 31 from 2007-2016 periods of times. The dependent variable is bank deposit growth and the independent variable are firm's specific variables (no. of bank branch, deposit interest rate, loan to deposit ratio, company size) and macroeconomics variables (gross domestic product growth rate, inflation rate, board money supply growth rate). The research used the panel data regression method. The result of this model deposit interest rate, loan-to-deposit ratio, inflation rate, and board money supply growth rate have a positive impact on bank deposit growth rate. A positive coefficient indicates that the Value of the independent variable increases, and the mean of the dependent variable also tends to increase. Number of bank branches, company size, and gross domestic product growth rate have a negative impact on bank deposit growth rate. A negative coefficient suggests that as the independent variable increases, the dependent variable tends to decrease. The regression coefficient of number of bank branches, company size, and gross domestic product growth rate in the regression coefficient analysis is -0.00036, -0.043526, and -2.836654. The value is negative which shows the negative relation between the coefficient of beta and dependent variable. It means every 1 unit increase in the independent variable; the dependent variable will decrease by beta coefficient value. On the other hand regression coefficient of deposit

interest rate, loan-to-deposit ratio, inflation rate, and board money supply growth rate in the regression coefficient analysis is 0.743371, 0.066482, 0.067794, and 0.833990. The value is positive which shows the positive relation between the coefficient of beta and the dependent variable. It means every 1 unit increase in the independent variable; the dependent variable will increase by beta coefficient value. The corresponding p-value are 0.2718, 0.3575, 0.6788, 0.2418, 0.8963 respectively which is more than 0.1 level of significance ($P > 0.1$) where the t-value is -1.1036336, 0.923457, 0.5020, -1.175831, 0.130633 respectively. Hence there are insignificant relations between the no. of bank branches, deposit interest rate, loan-to-deposit ratio, gross domestic product growth rate, and inflation rate on bank deposit growth rate. Thus, fails to reject the null hypothesis. On the other hand, the corresponding p-values are 0.0698, and 0.0658 respectively which is less than 0.1 level of significance ($p < 0.1$) where the t-values are -1.828082, and 1.855318 respectively. Hence there is a significant relation between company sizes, board money supply growth rate on bank deposit growth rate. Thus, reject the null hypothesis. The F-value is significant at 1% level implying that all the explanatory variables jointly influence the dependent variable. Overall, the model is well-fitted.

Bhattarai (2019) analyzed the effect of bank-specific and macroeconomic variables on the deposit mobilization of Nepalese commercial banks. The primary aim of this study was to assess how interest rates influence deposit mobilization in commercial banks in Nepal. The research utilized secondary data from the years 2013 to 2017, comprising 50 observations. Data were obtained from the annual reports of the respective banks, annual supervision reports, and the economic bulletin published by Nepal Rastra Bank. To achieve the study's objectives, descriptive, correlation, and causal comparative research designs were employed. The dependent variable in the analysis was total deposits, specified in terms of the natural logarithm of total deposits (LNTD). The independent variables included bank-specific factors (interest rate spread, deposit interest rate) and macroeconomic variables (inflation rate, gross domestic product, money supply). The relationships between total deposits and the independent variables were analyzed using multiple regression techniques with SPSS version 21. A limitation of the research was that it only included annual reports from ten commercial banks for the period 2012/13 to 2016/17 (five years). The study concluded that interest rate spread, deposit interest rate, inflation rate, gross domestic product, and money supply all significantly affect the deposits of commercial banks in Nepal. Specifically, interest rate spread, money supply, and gross domestic product had a

positive impact on deposits, while the deposit interest rate and inflation rate had negative effects in the Nepalese context. This indicates that higher interest rate spreads, money supply, and gross domestic product are associated with increased deposits, whereas an increase in deposit interest rates and inflation rates leads to a decline in deposits.

Tun (2019) conducted an empirical analysis of the macroeconomic factors affecting deposit mobilization in private commercial banks in Myanmar. The primary objective of this study was to examine the effects of macroeconomic factors on the deposit mobilization of these banks. The research utilized a quantitative methodology, with a sample size of 24 and a study period from 2013/14 to 2017/18. In this study, the dependent variable was deposit mobilization, while the independent variables included exchange rate, real interest rate, real GDP per capita, and money supply. The analysis was performed using correlation, multiple regression, and descriptive statistics. The findings revealed that macroeconomic factors such as real interest rate, real GDP per capita, and average exchange rate positively and significantly impact the deposit mobilization of private commercial banks in Myanmar. This indicates that increases in the real interest rate, real GDP per capita, and average exchange rate are associated with higher bank deposits in these banks. In contrast, the money supply (measured as narrow money supply to GDP) had a negative but statistically insignificant effect on deposit mobilization, suggesting that an increase in narrow money to GDP results in a decrease in deposits for private commercial banks. The R-squared value was 0.968, indicating that the independent variables (real interest rate, per capita GDP, money supply, and average exchange rate) explained 97% of the variation in the dependent variable, deposit mobilization. The beta coefficients for the average exchange rate, real interest rate, and real GDP per capita were 0.019, 0.439, and 0.016, respectively, reflecting positive and significant effects on deposit mobilization. Conversely, the beta coefficient for the money supply was -0.9968, indicating a negative and insignificant impact on deposits at the 5% level of significance. Among these variables, the real interest rate exhibited the strongest relationship with a coefficient of 0.439. The study found a significant P-value of 0.000 for the independent variables (real interest rate, GDP per capita, average exchange rate, and money supply), all of which were less than 0.05. Therefore, the study accepts hypotheses H1, H2, H3, and H4, concluding that there is a significant relationship between the independent variables (real interest rate, GDP per capita, money supply, and average exchange rate) and the dependent variable of deposit mobilization. The F-value

was reported at 113.628 with a significance level of 0.000, indicating that the results are statistically significant at the 5% level.

Jacob et al. (2019) conducted a study on the effect of deposit mobilization by commercial banks on capital formation in Nigeria. The primary objective of the research was to examine the impact of deposit mobilization and credit financing from deposit money banks on Nigeria's capital formation. The study employed a correlation research design and analyzed data from the period 1980 to 2015. In this study, the dependent variable was gross fixed capital formation (GFCF), while the independent variables included credit to the private sector, lending rate, and total deposit liabilities. The analysis method of the study is multiple regression analysis. The results indicated that total deposit liabilities, credit to the private sector, and lending rate all had a positive relationship and a significant effect on gross fixed capital formation. The R-squared value was 0.622453, suggesting that the independent variables (Log TDL, Log CPS, and Log LRN) accounted for approximately 62.24% of the variation in the dependent variable (Log GFCF) over the observed period, while the remaining 37.76% was attributed to other factors not included in the model. The coefficient for total deposit liabilities (LTDL) was 0.750354, indicating a positive relationship with gross fixed capital formation. The results also showed that total deposit liabilities significantly impact the economy, as evidenced by the t-statistic value of 6.03135, which is greater than 1.46 at two tails. This finding implies that a one percent increase in total deposit liabilities would lead to a 75.03% increase in GFCF, holding all other factors constant. The coefficient for credit to the private sector (Log CPS) was 0.801233, reflecting a positive effect on Nigeria's economy as measured by Log GFCF. The analysis indicated that credit to the private sector significantly affects the economy, supported by a t-statistic of 7.24746, which exceeds 1.96 at two tails. This suggests that a one percent increase in credit to the private sector would result in an 80.12% increase in GFCF, while controlling for other variables. Finally, the coefficient for the lending rate (LLRN) was 0.604230, demonstrating a positive and significant effect of approximately 60.42% on Nigeria's economy as measured by GFCF during the observed years. This implies that a one percent increase in the prime lending rate would lead to a 60.42% increase in GFCF, with the t-statistic confirming significance at 4.11772, which is greater than 1.96 at two tails.

Azolibe (2019) conducted a study on the macroeconomic dynamics, bank-specific factors, and deposit mobilization within the Nigerian banking sector. The primary objective of this research was to critically examine the relationship between macroeconomic dynamics, bank-specific factors, and deposit mobilization in Nigerian banks. An ex post facto research design was utilized, covering the period from 1985 to 2018. In this study, the dependent variable was deposit mobilization, while the independent variables included various macroeconomic factors such as the inflation rate, lending rate, exchange rate, government expenditure, unemployment rate, and gross domestic product (GDP), as well as bank-specific factors like deposit interest rate, branch network expansion, and bank liquidity. Multiple regression ordinary tests were employed for data analysis. The findings revealed that the consumer price index and deposit interest rate had negative and significant relationships with deposit mobilization. Additionally, the exchange rate, unemployment rate, and loan-to-deposit ratio exhibited negative and insignificant relationships with deposit mobilization. Conversely, the lending rate and government expenditure demonstrated insignificant positive relationships with deposit mobilization. Notably, GDP and the number of bank branches had positive and significant relationships with deposit mobilization. The R-squared value was 0.996583, indicating that 99.7% of the variation in deposit mobilization could be explained by the macroeconomic dynamics and bank-specific factors in the study. The beta coefficient for the consumer price index was -25.02641 with a probability of 0.0000, and for the deposit interest rate, it was 91.48170 with a probability of 0.0158. This suggests that a 1% increase in these variables would lead to a decrease in deposit mobilization of 25.02641% and 91.48170%, respectively. The beta coefficients and probabilities for the exchange rate (-3.515263 and 0.4595), unemployment rate (-18.79961 and 0.4184), and loan-to-deposit ratio (-4.726848 and 0.4764) indicate that a 1% rise in these variables would also reduce the deposit mobilization efforts of banks in Nigeria. In contrast, the beta coefficients and probabilities for the lending rate (10.56295 and 0.7090) and government expenditure (0.042010 and 0.9015) suggest that a 1% increase in these variables would enhance the deposit mobilization efforts of banks. The beta coefficient and probability for GDP were (0.206918 and 0.000), while for the number of bank branches, they were (0.6362208 and 0.0010), indicating that a 1% increase in these variables would also improve deposit mobilization efforts. The F-statistic was 1070.395, falling outside the critical region of ± 0.000000 .

Ahmed et al. (2021) conducted a study examining the determinants of deposit growth in Ethiopian commercial banks. The primary objective of this research was to identify the key factors influencing deposit growth, focusing on both industry-specific and macroeconomic variables. The study utilized secondary data spanning from 2010 to 2019. The selected macroeconomic factors included the age dependency ratio, unemployment rate, population growth, broad money supply, and inflation. In contrast, the bank-specific variables examined were branch expansion and bank size. Given the panel data used in this study, the ordinary least squares (OLS) method was employed after conducting the necessary diagnostic tests, including the Hausman test, to ascertain the suitability of the fixed effect model. The findings revealed that macroeconomic factors such as bank size, broad money supply, and inflation positively and significantly impacted the deposit growth of commercial banks. Conversely, the age dependency ratio and population growth were found to have statistically significant negative effects on deposit growth. The unemployment rate exhibited a positive but statistically insignificant relationship with deposit growth. Regarding bank-specific factors, branch expansion showed a significant positive association with deposit growth, while bank size had a positive but insignificant relationship. The R-squared value was 0.720224, indicating that 72.02% of the variations in bank deposit growth could be explained by the independent variables. In conclusion, the study suggests the necessity for a stable macroeconomic environment that mitigates the impacts of inflation, money supply, and population growth. Additionally, from a bank-specific standpoint, aggressive branch expansion is crucial for fostering deposit growth in Ethiopian commercial banks.

Pathak (2022) conducted an analysis of bank interest rates and deposit growth in Nepal. The primary objectives of the study were to determine the interest elasticity of bank deposits in commercial banks, analyze the correlation of interest rates, estimate the effects of an increased number of accounts and bank branches on bank deposits, while also exploring additional factors that influence bank deposits in Nepalese banks. The research utilized monthly data collected from the Nepal Rastra Bank (NRB), the central bank of Nepal, covering the fiscal years from 2013/2014 to 2021/2022. A total of 110 months of data were available, although there were partial statistics for mid-April to mid-May 2015 in the NRB repository. In this study, the dependent variable was the logarithm of bank deposits, while the independent variables included the average deposit interest rate, number of bank accounts, non-performing loan (NPL) ratio, total liquid assets to deposit

ratio, and number of bank branches. The findings indicated an R-squared value of 0.9996, suggesting that the independent variables (average deposit interest rate, number of bank accounts, NPL ratio, total liquid assets to deposit ratio, and number of bank branches) explained approximately 99.96% of the variations in the dependent variable. The coefficients for each variable aligned with expectations. The average deposit interest rate demonstrated a positive and significant relationship with bank deposits, indicating that a one percent change in the average deposit rate corresponds to about a one percent change in bank deposits, holding other factors constant. Conversely, the bank's non-performing loans and liquid asset holdings negatively impacted bank deposits. The liquidity position had an immediate effect, while the NPL ratio exhibited a lagged effect on deposits. This may be attributed to banks prioritizing NPL recovery during periods of excess liquidity and elevated NPL levels. Additionally, the number of bank branches and the increase in bank accounts had a positive influence on bank deposits; however, the rise in the number of bank branches was found to have no significant impact.

Kamugisha (2022) conducted a study on the determinants of bank deposit growth in Rwanda. The primary objective was to analyze the factors influencing the growth of bank deposits and to derive relevant policy recommendations based on the research findings. The study employed Ordinary Least Squares (OLS) and regression analysis to examine the variables affecting deposit growth in Rwanda over the sample period from the first quarter of 2005 to the fourth quarter of 2019. In this study, the dependent variable was bank deposits, while the independent variables included gross domestic product (GDP), inflation, government expenditure, deposit interest rates, and the number of bank branches. The R-squared value was found to be 0.9932, indicating that the explanatory variables included in the model accounted for 99.32 percent of the variations in bank deposit growth. This high R-squared value suggests a strong relationship between the identified factors and deposit growth, leaving only 0.68 percent attributed to the error term. The relationship was statistically significant at the 5% level, as demonstrated by an F-statistic of 1585.701, which falls outside the critical region. Long-run empirical results indicated a positive relationship between bank deposits and GDP, significant at the 1% level, meaning a one percent increase in GDP correlates with a 1.1867 percent increase in bank deposits. Similarly, a one percent rise in government expenditure resulted in a 0.8382 percent increase in bank deposits, aligning with the study's expectations. The findings also revealed a positive relationship between deposit interest rates and bank

deposits, with a coefficient of 0.0207 that is statistically significant at the 5% level. This suggests that a one percent increase in the deposit interest rate leads to a 0.0207 percent increase in bank deposits, indicating that higher deposit interest rates encourage more deposits. Conversely, the relationship between branch expansion and bank deposits was found to be negative and insignificant in the long run. Specifically, the coefficient for the number of bank branches was -0.2502, which was statistically significant at the 5% level. This indicates that a one percent increase in the number of bank branches negatively impacts bank deposits by 0.2502 percent. Lastly, the coefficient for the consumer price index, serving as a proxy for inflation, was negative at -0.3465. This suggests that a one percent increase in the general price level (inflation) would decrease bank deposits by 0.3465 percent. The implication is that higher inflation leads to increased cash withdrawals, thereby reducing overall deposit levels as individuals require more funds for daily expenses.

Yitayaw (2022) explored the significance of deposit mobilization as a critical service and an essential component of banking operations. In Ethiopia, the task of collecting savings through effective deposit mobilization is viewed as a primary responsibility of banks. However, effective deposit management cannot be achieved without a thorough understanding of the factors that influence it. This study investigates the bank-specific and macroeconomic determinants of deposit mobilization within the Ethiopian banking sector, utilizing balanced panel data from 14 commercial banks spanning from 2011 to 2020. The research relied on secondary data sourced from the audited financial statements of the sampled commercial banks to fulfill its objectives. A quantitative approach with an explanatory design was employed for the analysis. The results indicated that the loan-to-deposit ratio, capital adequacy, economic growth, inflation, population growth, and political stability negatively and significantly affect deposit mobilization among commercial banks. Conversely, the profitability of banks was found to have a positive and statistically significant impact on the growth of bank deposits. The study recommends that Ethiopian commercial banks enhance their deposit mobilization efforts by focusing on internal factors that can be managed effectively, while also considering the broader economic and political context. The findings offer valuable insights for bank managers, owners, analysts, policymakers, depositors, and other stakeholders regarding the determinants of deposit growth in commercial banks. Additionally, academic researchers and students can utilize the findings and recommendations for further studies

in the banking sector. Notably, this study contributes to existing knowledge by examining the effects of population growth and political stability on deposit mobilization, filling a gap in the current literature.

2.3 Research Gap

The review of the relevant literature has significantly enhanced the understanding and knowledge necessary to make this study both meaningful and purposeful. The empirical studies concerning bank deposit growth, particularly in the context of Nepalese commercial banks, are quite limited. Most prior research has concentrated on bank deposit mobilization, typically measured as total deposits, whereas this study specifically examines the annual growth of deposits within the Nepalese commercial banking sector. Furthermore, the findings indicate that various factors, both bank-specific and macroeconomic, can influence bank deposit growth. This study specifically focuses on certain bank-specific and macroeconomic factors affecting the deposit growth of individual commercial banks in Nepal.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps adopted by a researcher in his research. It describes the method and process applied in research. It is a systematic way to do effective research. It includes research design, population, and sample techniques, sources of data, data collection procedures, data analysis tools, and techniques.

3.1 Research design

Research design is the set of methods and procedures adopted by the researcher in carrying out the research. Research design is a framework that has been created to find answers to research questions. There are many types of research designs such as descriptive, correlation, semi-experimental, experimental, review, and analytical. For this study, this research is designed in descriptive and causal research design towards historical last ten years data.

The study also analyzes the cause-and-effect relationships and the connections between deposit growth and its determinants in Nepalese commercial banks. More specifically, it examines the impact of the savings deposit rate, fixed deposit rate, number of branches, and capital adequacy of Nepalese commercial banks, along with the consumer price index (inflation), money supply, and GDP of the Nepalese economy during the period from 2012/13 to 2021/22.

3.2 Population and sample

A population element is the subject on which measurement is to be taken. It refers to the entire group of people, events, things, etc. that a researcher wishes to investigate. In other words, industries of the same nature and their services and products refer to population. In Nepal, there are 20 commercial banks and they refer to population.

A sample is a number of selected items, things, or activities out of the population for research investigation. In this research have been taken 10 commercial banks and 10 years of period of time (2012/13 to 2021/22) as a sample out of 20 commercial banks on the basis of random sampling method.

3.3 Sources of data

In this study, data will be collected through published sources. They will be collected from the correspondent offices and their respective websites. The annual reports, Balance sheet, P&L account, income statement, and newspaper will be the sources of data collection of concerned banks and the website of NRB, as other related documents (i.e., unpublished master's thesis, books, research papers, Journal and articles from Internet websites) form where data can be obtained. In my proposed research, I will focus on quantitative data rather than qualitative data to achieve more accurate desired results.

3.4 Methods of Analysis

For the fulfillment of the objective of the research, various financial, descriptive, and statistical tools and techniques, Excel and SPSS Software will be used. The analysis of data will be done according to the pattern of data available. Due to limited time and resources, simple analytical statistical tools such as tabulation, co-relation, multiple regressions, and t-test will be used in this research.

Descriptive analysis

Descriptive analysis is a statistical method used to describe and summarize a set of data. It involves the use of measures such as mean, median, mode, range, standard deviation, and frequency distribution to provide a clear and concise summary of the data and the relationships between variables.

i) Mean

The statistical mean (\bar{X}) represents the average value used to determine the central tendency of observations within a sample. It is calculated by summing all data points in a population and dividing the total by the number of points. This resulting value is known as the mean or average and provides a representation of the entire dataset, typically situated between two extremes. In this study, it is applied to data related to the deposits of sample banks over a ten-year period. The calculation is based on the Arithmetic Mean, which reflects the average return over specified periods. It is calculated by:

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

Where,

\bar{X} = Arithmetic mean

ΣX = Sum of given observation

n = No of years

ii) Standard deviation

In statistics, the standard (SD) deviation is a measure that is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values. The standard deviation of the mean (SD) is the most commonly used measure of the spread of values in a distribution. In simple term, high SD means very less similarity in the values and low SD means high similarity among the values. SD gives the accurate result between values.

$$\text{Standard deviation } (\delta) = \sqrt{\frac{\Sigma(X-\bar{x})^2}{n-1}}$$

Where,

X = number of observations in the sample

\bar{x} = mean of number observations in the sample

n = number of years

$\Sigma(X - x)$ = sum of total number of observation deviation from mean in the sample.

Correlation Analysis

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of sigma. Among the various methods of finding out the coefficient of correlation, Karl Pearson's method will be applied in the study.

The result of the coefficient of correlation is always between +1 & -1. When $r = +1$, it means there is a perfect relationship between two variables & vice versa. When $r = 0$, it means there is no relationship between the two variables. The Pearson's formula is:

$$\text{Correlation of coefficient } (r) = \frac{n\Sigma XY - \Sigma X \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2 * n\Sigma Y^2 - (\Sigma Y)^2}}$$

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

The value of the coefficient of correlation (r) always lies between ± 1 . Such as:

$r=+1$, perfect positive correlation

$r=-1$, perfect negative correlation

$r=0$, no correlation

Regression Analysis

Regression analysis is a statistical technique used to examine the relationship between a dependent variable and two or more independent variables. The goal of Regression analysis is to create a mathematical model that can predict the value of the dependent variable based on the values of the independent variables. The model employs multiple regression analysis, incorporating three dependent variables and seven independent variables, which are formulated as follows:

$$SDG_{it} = \alpha + \beta_1 SDIR_{it} + \beta_2 NOB_{it} + \beta_3 CA_{it} + \beta_4 CPI_{it} + \beta_5 MS_{it} + \beta_6 GDP_{it} + e_{it}$$

$$FDG_{it} = \alpha + \beta_1 FDIR_{it} + \beta_2 NOB_{it} + \beta_3 CA_{it} + \beta_4 CPI_{it} + \beta_5 MS_{it} + \beta_6 GDP_{it} + e_{it}$$

$$CDG_{it} = \alpha + \beta_1 NOB_{it} + \beta_2 CA_{it} + \beta_3 CPI_{it} + \beta_4 MS_{it} + \beta_5 GDP_{it} + e_{it}$$

Where,

SDG = Saving Deposit Growth of commercial banks for the period

FDG = Fixed Deposit Growth of commercial banks for the period

CDG = Current Deposit Growth of commercial banks for the period

α = Constant term for the independent variables

SDIR = Saving Deposit Interest Rate banks for the period

FDIR = Fixed Deposit Interest Rate banks for the period

NOB = No of Branches banks for the period

CA = Capital Adequacy banks for the period

CPI = Consumer Price Index (Inflation)

MS = Money Supply banks for the period

GDP = Gross Domestic Product for the period

$\beta_1 - \beta_6$ = Coefficient of regression model

e = the standard error term

i = individual dimension

t = time dimension

a. Coefficient of Determination

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

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

Test of Significance

A test of significance is a statistical procedure used to determine whether a difference or relationship between two or more variables is likely to be due to chances or is statistically significant. There are many different types of tests of significance, including ANOVA, chi-square test, and correlation tests. For the test of significance, the t-test is made in this study.

i) T-test

The t-test is a statistical test used to determine whether two groups of data are significantly different from each other. It is used when the sample size is small (less than 30), and the population standard deviation is unknown. The t-test involves the calculation of the t-value, which is the difference between the means of the two groups divided by the standard error of the difference. The t-value is then compared to a critical value from the t- distribution to determine whether the result is significant or not. If the t-value is greater than the critical value, the null hypothesis is rejected or the alternative hypothesis is accepted. If the t-value is less than the critical value, the null hypothesis is accepted or the alternative hypothesis is rejected.

$$t - \text{value} = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Where,

r = correlation of coefficient

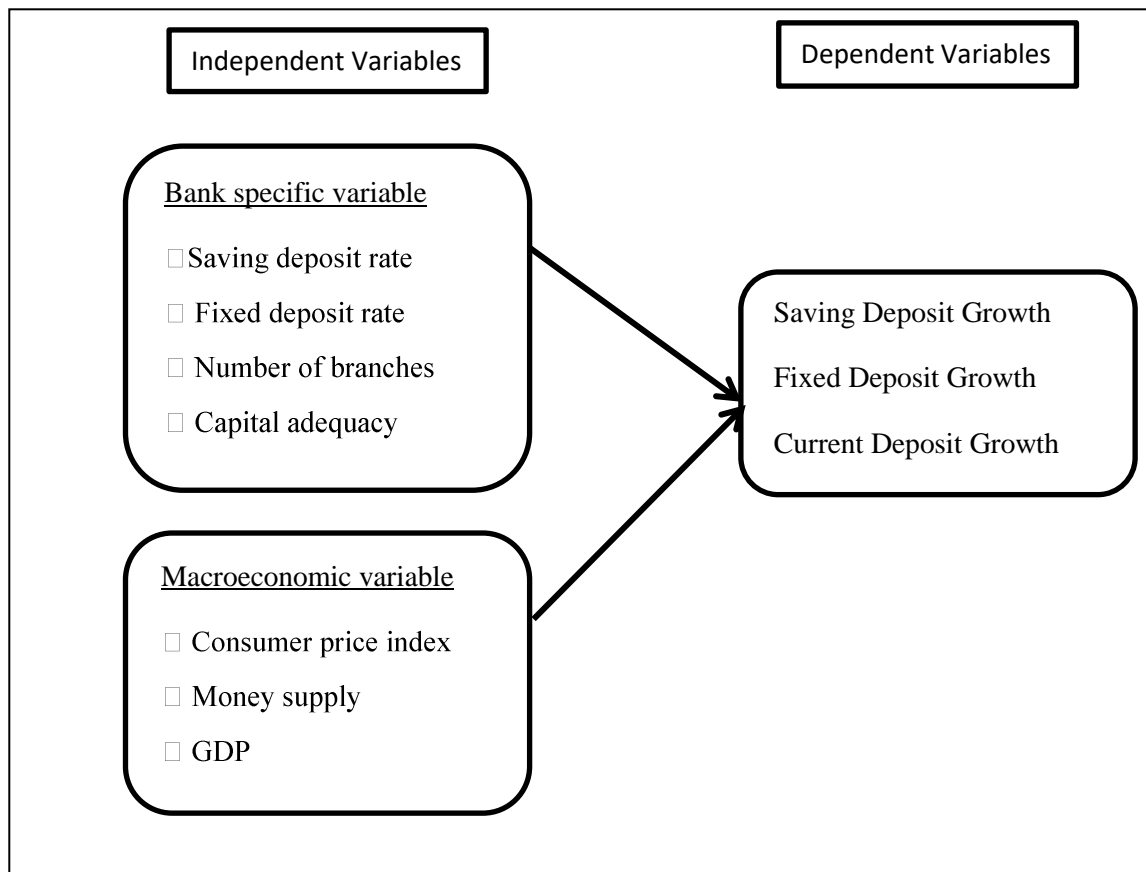
n = sample size

3.5 Research framework

The research framework clearly identifies the variables utilized in the study and illustrates how these particular variables are interconnected. It interlinks the independent and dependent variables as depicted in the figure below:

Figure 1

Determination factors of banks deposit growth.



Source: Banke and Yitayaw (2022)

Definition of variables

Saving Deposit growth

Saving deposits are agreements between the customer and the bank in which the customer deposits a sum of money in exchange for interest, retaining the right to withdraw funds without prior notice at any time (Bikker and Gerritsen, 2018). These deposits are primarily utilized by professionals and middle-income customers looking to save small amounts. The advantages include the ease of opening an account and the ability to deposit funds at any time (Somashekar, 2009). In this research, saving deposit growth has been calculated as the difference between saving deposits in two consecutive financial years.

Fixed Deposit Growth

In the case of fixed deposits, the bank is granted flexibility to invest its funds, with the understanding that these deposits cannot be withdrawn by cheque (Hempel and Simonsom, 1999; Mishkin, 2007). In this research, fixed deposit growth has been calculated as the difference between fixed deposits in two consecutive financial years.

Current Deposit Growth

A certain party deposits this type of money with the bank, and it can be withdrawn by the depositor at any time they wish (Schonharl, 2017). Demand deposits, also known as current deposits, are funds that banks are mandated to pay upon request. Current deposits are characterized by continuous transactions (Zopounidis, 2002), and banks typically require a minimum deposit amount to open an account. In this research, current deposit growth has been calculated as the difference between current deposits in two consecutive financial years.

Saving Deposit Interest Rate

The saving deposit interest rate is a crucial bank-specific factor that influences deposit growth. Economically, higher interest rates on deposits typically encourage individuals to deposit more money in banks, resulting in a positive correlation between deposit interest rates and bank deposit growth. The saving interest rate is one of the most significant determinants for individuals deciding to deposit money within the banking system. Banks often raise the interest rates paid on deposits to mobilize more funds from the public. As the saving interest rate increases, individuals are more inclined to save, as they are willing to forgo present consumption for better future returns (Azolibe, 2019). In this research, I

calculated the saving interest rate from 2012/13 to 2016/17 by dividing the total saving interest by the total saving deposits. For the period from 2017/18 to 2021/22, I used the standard saving rates available on the bank's websites.

Fixed Deposit Interest Rate

The growth of fixed deposits, also referred to as term deposits or time deposits, is significantly influenced by the fixed deposit rate. This rate represents the interest offered by financial institutions on funds deposited in fixed deposit accounts for a predetermined period. A higher fixed deposit interest rate can attract more depositors, encouraging them to choose a particular institution for their fixed deposits, which leads to increased deposit growth. As identified by Harald and Heiko (2009), fixed interest rates are a key determinant of commercial bank deposits. The fixed interest rate can be defined as the reward or profit paid to depositors in relation to their deposited funds. This reward compensates depositors for sacrificing present consumption in favor of future consumption (Garo, 2015). In this research, I calculated the fixed interest rate from 2012/13 to 2016/17 by dividing the total fixed interest by the total fixed deposits. For the period from 2017/18 to 2021/22, I utilized the 0-3 months fixed interest rate available on the bank's websites.

Number of Bank Branch

The branch network refers to the total number of bank branches, and a larger branch network provides a significant advantage in effectively mobilizing deposits. When a bank opens a new branch, it typically attracts new customers, resulting in an increase in deposits. However, the rise of alternative distribution channels, such as ATMs, internet banking, and electronic delivery systems, has also significantly contributed to deposit mobilization. Overall, the selected macroeconomic and bank-specific factors exhibit either similar or divergent trends with deposit developments. This descriptive-analytical observation indicates that these factors are either positively or negatively related to the growth of bank deposits (Kamugisha, 2022).

Capital Adequacy

Capital is one of the bank specific factors that influence the level of bank profitability. Capital is the amount of own fund available to support the bank's business and act as a buffer in case of adverse situation (Athanasoglou et al., 2005). Banks' capital generates liquidity due to the inherently fragile nature of deposits, which are susceptible to bank runs. A higher capital level mitigates the likelihood of financial distress. The adequacy of

capital is evaluated based on the Capital Adequacy Ratio (CAR), which reflects the bank's internal strength to absorb losses during crises (Dang, 2011). Additionally, the capital adequacy of prior periods also influences the current capital adequacy status. The risk level within the banking sector can be measured through Risk-Weighted Assets (RWA) relative to total assets. Banks face various risks in their operations, and effective management and understanding of these risks are critical drivers of profitability and determine the required capital that a bank must maintain (Aburime, 2005).

Customer Price Index (Inflation)

The rate of inflation and inflationary expectations can significantly influence the overall growth of deposits within the banking system. It is generally assumed that total deposit growth is negatively related to inflationary expectations. As inflation accelerates, the attractiveness of deposits diminishes, particularly in relation to prevailing interest rates. In this context, it can be posited that as deposit interest rates rise, deposits may increase correspondingly. Conversely, a narrower spread between deposit rates and inflation reduces the appeal of holding deposits above the necessary level. Consequently, as inflation rises, individuals may be inclined to shift their savings from bank deposits to tangible assets, which serve as a hedge against inflation (Behredin, 2016).

Money Supply

Money supply refers to the total amount of money available in an economy at a specific point in time. It is calculated by summing up financial assets that serve the functions of money, such as a medium of exchange and a store of value. The money supply process describes how this stock of money is created within the economy. Understanding this process is crucial for the effective implementation of monetary policy aimed at achieving its goals. Analyzing the money supply provides insight into the money-generating mechanisms, particularly regarding the central bank's level of control, which is vital for effective monetary management. Baghestani and Mott (1997) emphasize that the interactions between the central bank, the banking system, and the public in creating monetary aggregates are essential for shaping monetary policy. Knowledge of money supply is especially significant when monetary policy considers these aggregates as intermediate targets.

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) represents the market value of all goods and services produced within a country over the span of a year, serving as one of the primary indicators of economic performance (Azolibe, 2019). As noted by Stanford (2008), changes in real GDP per capita over time are often interpreted as indicators of shifts in the average standard of living. Logically, if households and firms seek to hold more money, this will lead to an increase in deposits. Therefore, the relationship between income and deposits is positive; as societal income rises, commercial bank deposits are likely to increase.

CHAPTER - IV

RESULT AND DISCUSSION

In this segment, we analyze the data available and interpret them in a meaningful manner. While analyzing data various statistical, descriptive, and financial tools have been applied. Data presentation and analysis is the most important part of this thesis or say it is the heart of whole study. All Findings, Conclusions, and Implication are based on the result of the analysis.

4.1 Result

4.1.1 Structure of deposits growth, firm-specific and macro-economic variables

This section aims to analyze the structure of bank deposit growth, focusing on both firm-specific and macroeconomic variables during the period from 2012/13 to 2021/22. Additionally, it examines the mean and standard deviation of each individual bank separately, as presented in the following table.

Table 1

	<i>(Rs in Billion)</i>										
<i>Saving deposits growth</i>	BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB		8	5	6	15	-13	4	9	11	20	-11
GIME		13	5	7	4	5	-3	8	36	30	-16
PCL		15	3	1	-1	58	-45	-5	17	0.14	-7
EBL		17	6	15	3	-10	2	3	4	17	-7
LBL		6	4	5	5	1	2	4	6	11	-2
SIBL		11	5	6	14	-9	10	7	4	22	-7
MBL		8	7	7	2	-9	3	8	8	11	-3
NBL		-35	6	5	9	-7	6	-1	13	14	-9
HBL		11	11	10	7	-16	-1	0.71	7	11	-10
SBL		6	0.34	2	8	-5	5	5	7	12	-6

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table saving deposit growth of Nepalese commercial banks is in a fluctuating trend. Although, most banks have success in increasing their savings deposits growth during the 10 year period. However, last year all sample banks decreased their

savings deposit growth. NMB increased saving deposits by 8 billion in 2012/13, 5 billion in 2013/14, 6 billion in 2014/15, 15 billion in 2015/16, decrease by 13 billion in 2016/17, increased 4 billion in 2017/18, 9 billion in 2018/19, 11 billion in 2019/20, 20 billion in 2020/21 and decrease by 11 billion in 2021/22. GIME increased saving deposits by 13 billion in 2012/13, 5 billion in 2013/14, 7 billion in 2014/15, 4 billion in 2015/16, 5 billion in 2016/17, decreased by 3 billion in 2017/18, increased 8 billion in 2018/19, 36 billion in 2019/20, 30 billion in 2020/21 and decrease by 16 billion in 2021/22. PCL increased saving deposits 15 billion in 2012/13, 3 billion in 2013/14, 1 billion in 2014/15, decrease by 1 billion in 2015/16, increase by 58 billion in 2016/17, decreased by 45 billion in 2017/18, decreased by 5 billion in 2018/19, increased 17 billion in 2019/20, 0.14 billion in 2020/21 and decrease by 7 billion in 2021/22. EBL increased saving deposits by 17 billion in 2012/13, 6 billion in 2013/14, 15 billion in 2014/15, 3 billion in 2015/16, decreased by 10 billion in 2016/17, increased by 2 billion in 2017/18, 3 billion in 2018/19, 4 billion in 2019/20, 17 billion in 2020/21 and decrease by 7 billion in 2021/22. LBL increase saving deposits 6 billion in 2012/13, 4 billion in 2013/14, 5 billion in 2014/15, 5 billion in 2015/16, 1 billion in 2016/17, 2 billion in 2017/18, 4 billion in 2018/19, 6 billion in 2019/20, 11 billion in 2020/21 and decrease by 2 billion in 2021/22, SIBL increase saving deposits 11 billion in 2012/13, 5 billion in 2013/14, 6 billion in 2014/15, 14 billion in 2015/16, decrease by 9 billion in 2016/17, increased 10 billion in 2017/18, 7 billion in 2018/19, 4 billion in 2019/20, 22 billion in 2020/21 and decrease by 7 billion in 2021/22. MBL increased saving deposits by 8 billion in 2012/13, 7 billion in 2013/14, 7 billion in 2014/15, 2 billion in 2015/16, decrease by 9 billion in 2016/17, increased 3 billion in 2017/18, 8 billion in 2018/19, 8 billion in 2019/20, 11 billion in 2020/21 and decrease by 3 billion in 2021/22. NBL decrease saving deposits by 35 billion in 2012/13, increased by 6 billion in 2013/14, 5 billion in 2014/15, 9 billion in 2015/16, decreased by 7 billion in 2016/17, increased by 6 billion in 2017/18, decreased by 1 billion in 2018/19, increased by 13 billion in 2019/20, 14 billion in 2020/21 and decrease by 9 billion in 2021/22. HBL increased saving deposits 11 billion in 2012/13, 11 billion in 2013/14, 10 billion in 2014/15, 7 billion in 2015/16, decrease by 16 billion in 2016/17, 0.71 billion in 2018/19, decreased by 1 billion in 2017/18, 7 billion in 2019/20, 11 billion in 2020/21 and decrease by 10 billion in 2021/22. SBL increased saving deposits by 6 billion in 2012/13, 0.34 billion in 2013/14, 2 billion in 2014/15, 8 billion in 2015/16, decreased by 5 billion in 2016/17, increased by 5 billion in 2017/18, 5 billion in 2018/19, 7 billion in 2019/20, 12 billion in 2020/21 and decrease by 6 billion in 2021/22.

Table 2

*Fixed deposits growth**(Rs in Billion)*

BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	2	-1	4	15	15	4	4	20	12	32
GIME	2	7	-0.1	0.42	32	2	7	49	25	21
PCL	0.1	2	5	8	8	-1	10	28	24	14
EBL	1	-0.4	5	6	11	18	10	8	-4	20
LBL	3	1	3	3	8	4	9	11	3	27
SIBL	0.1	1	3	5	14	7	13	20	11	23
MBL	3	2	-1	6	14	10	5	9	14	14
NBL	-12	0.5	-1	0.4	10	-2	6	15	0.92	29
HBL	2	-0.3	-3	6	21	4	9	6	4	38
SBL	3	-0.3	6	9	10	4	2	6	2	31

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table fixed deposits growths of Nepalese commercial banks are in fluctuating trends. NMB increase fixed deposits 2 billion in 2012/13, decrease by 1 billion in 2013/14, increased 4 billion in 2014/15, 15 billion in 2015/16, 15 billion in 2016/17, 4 billion in 2017/18, 4 billion in 2018/19, 20 billion in 2019/20, 12 billion in 2020/21 and 32 billion in 2021/22. GIME increases fixed deposits 2 billion in 2012/13, 7 billion in 2013/14, decreases 0.1 billion in 2014/15, increase 0.42 billion in 2015/16, 32 billion in 2016/17, 2 billion in 2017/18, 7 billion in 2018/19, 49 billion in 2019/20, 25 billion in 2020/21 and 21 billion in 2021/22. PCL increased fixed deposits by 0.1 billion in 2012/13, 2 billion in 2013/14, increased 5 billion in 2014/15, 8 billion in 2015/16, 8 billion in 2016/17, decreased by 1 billion in 2017/18, increased 10 billion in 2018/19, 28 billion in 2019/20, 24 billion in 2020/21 and 14 billion in 2021/22. EBL increase fixed deposits 1 billion in 2012/13, decrease 0.4 billion in 2013/14, 5 billion in 2014/15, 6 billion in 2015/16, 11 billion in 2016/17, 18 billion in 2017/18, 10 billion in 2018/19, 8 billion in 2019/20, decreased by 4 billion in 2020/21 and 20 billion in 2021/22. LBL increase fixed deposits 3 billion in 2012/13, 1 billion in 2013/14, 3 billion in 2014/15, 3 billion in 2015/16, 8 billion in 2016/17, 4 billion in 2017/18, 9 billion in 2018/19, 11 billion in 2019/20, 3 billion in 2020/21 and 23 billion in 2021/22. SIBL increase fixed deposits 0 billion in 2012/13, 1 billion in 2013/14, 3 billion in 2014/15, 5 billion in 2015/16, 14 billion in 2016/17, 7 billion in 2017/18, 13 billion in 2018/19, 20 billion in 2019/20, 11

billion in 2020/21 and 23 billion in 2021/22. MBL increased fixed deposits by 3 billion in 2012/13, 2 billion in 2013/14, decreased by 1 billion in 2014/15, increased 6 billion in 2015/16, 14 billion in 2016/17, 10 billion in 2017/18, 5 billion in 2018/19, 9 billion in 2019/20, 14 billion in 2020/21 and 14 billion in 2021/22. NBL decreased by fixed deposits by 12 billion in 2012/13, increased by 0.5 billion in 2013/14, decreased by 1 billion in 2014/15, 0.4 billion in 2015/16, 10 billion in 2016/17, decreased by 2 billion in 2017/18, increased 6 billion in 2018/19, 15 billion in 2019/20, 0.92 billion in 2020/21 and 29 billion in 2021/22. HBL increased fixed deposits by 2 billion in 2012/13, decrease 0.3 billion in 2013/14, decreased by 3 billion in 2014/15, increased 6 billion in 2015/16, 21 billion in 2016/17, 4 billion in 2017/18, 9 billion in 2018/19, 6 billion in 2019/20, 4 billion in 2020/21 and 38 billion in 2021/22. SBL increased fixed deposits 3 billion in 2012/13, decrease 0.3 billion in 2013/14, 6 billion in 2014/15, 9 billion in 2015/16, 10 billion in 2016/17, 4 billion in 2017/18, 2 billion in 2018/19, 6 billion in 2019/20, 2 billion in 2020/21 and 31 billion in 2021/22.

Table 3

<i>Current deposits growth</i>		<i>(Rs in Billion)</i>								
BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	0.40	1	1	1	3	3	1	2	3	-1
GIME	0.04	1	1	1	1	4	-0.1	7	1	4
PCL	0.1	0.3	0.3	1	2	2	0.8	-3	11	-2
EBL	2.00	-1	0.5	2	0.4	2	-0.2	1	4	1
LBL	0.12	0.2	2	-1	3	0.1	2	1	3	-0.1
SIBL	0.30	1	0.4	2	1	6	1	1	8	-6
MBL	0.37	0.3	0.5	1	0.02	1	1	2	3	2
NBL	-7.00	0.3	10	4	2	2	62	-52	6	14
HBL	2.00	1	2	1	0.03	4	1	3	0.07	0.03
SBL	0.38	0.3	0.4	1	1	1	1	2	3	-1

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table, the current deposit growth of Nepalese commercial banks is in a fluctuating trend. NMB increase fixed deposits 0.4 billion in 2012/13, 1 billion in 2013/14, 1 billion in 2014/15, 1 billion in 2015/16, 3 billion in 2016/17, 3 billion in 2017/18, 1 billion in 2018/19, 2 billion in 2019/20, 3 billion in 2020/21 and decreased by 1 billion in

2021/22. GIME increase fixed deposits 0.04 billion in 2012/13, 1 billion in 2013/14, 1 billion in 2014/15, 1 billion in 2015/16, 1 billion in 2016/17, 4 billion in 2017/18, decrease 0.1 billion in 2018/19, 7 billion in 2019/20, 1 billion in 2020/21 and 4 billion in 2021/22. PCL increased fixed deposits 0.1 billion in 2012/13, 0.3 billion in 2013/14, 0.3 billion in 2014/15, 1 billion in 2015/16, 2 billion in 2016/17, 2 billion in 2017/18, 0.8 billion in 2018/19, decreased by 3 billion in 2019/20, increased by 11 billion in 2020/21 and decreased by 2 billion in 2021/22. EBL increased fixed deposits 2 billion in 2012/13, decreased by 1 billion in 2013/14, 0.5 billion in 2014/15, 2 billion in 2015/16, 0.4 billion in 2016/17, 2 billion in 2017/18, decrease 0.2 billion in 2018/19, 1 billion in 2019/20, 4 billion in 2020/21 and 1 billion in 2021/22. LBL increase fixed deposits 0.12 billion in 2012/13, 0.2 billion in 2013/14, 2 billion in 2014/15, decreased by 1 billion in 2015/16, increased 3 billion in 2016/17, 0.1 billion in 2017/18, 2 billion in 2018/19, 1 billion in 2019/20, 3 billion in 2020/21 and decrease 0.1 billion in 2021/22. SIBL increased fixed deposits 0.3 billion in 2012/13, 1 billion in 2013/14, 0.4 billion in 2014/15, 2 billion in 2015/16, 1 billion in 2016/17, 6 billion in 2017/18, 1 billion in 2018/19, 1 billion in 2019/20, 8 billion in 2020/21 and decreased by 6 billion in 2021/22. MBL increased fixed deposits by 0.37 billion in 2012/13, 0.3 billion in 2013/14, 0.5 billion in 2014/15, 1 billion in 2015/16, 0.02 billion in 2016/17, 1 billion in 2017/18, 1 billion in 2018/19, 2 billion in 2019/20, 3 billion in 2020/21 and 2 billion in 2021/22. NBL decreased current deposits by 7 billion in 2012/13, increased by 0.3 billion in 2013/14, 10 billion in 2014/15, 4 billion in 2015/16, 2 billion in 2016/17, 2 billion in 2017/18, 62 billion in 2018/19, decreased by 52 billion in 2019/20, increased 6 billion in 2020/21 and 14 billion in 2021/22. HBL increase fixed deposits 2 billion in 2012/13, 1 billion in 2013/14, 2 billion in 2014/15, 1 billion in 2015/16, 0.03 billion in 2016/17, 4 billion in 2017/18, 1 billion in 2018/19, 3 billion in 2019/20, 0.07 billion in 2020/21 and 0.03 billion in 2021/22. SBL increased fixed deposits by 0.38 billion in 2012/13, 0.3 billion in 2013/14, 0.4 billion in 2014/15, 1 billion in 2015/16, 1 billion in 2016/17, 1 billion in 2017/18, 1 billion in 2018/19, 2 billion in 2019/20, 3 billion in 2020/21 and decreased by 1 billion in 2021/22.

Table 4

*Saving deposit interest rate**(in %)*

BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	4.2	4	2.57	2	3.75	5.5	5.5	6.5	5	4.5
GIME	4.17	3.28	2.76	2.68	2.9	4	6.5	6.5	3	2.1
PCL	5.3	4.9	4.2	3.5	1.6	7.25	7	6.5	5	4.5
EBL	3.26	2.97	2.1	1.5	2.4	5.25	3	4	3.5	2.5
LBL	5	3.63	3.3	3	4.1	5	5	5	4	2.5
SIBL	4.7	3.8	3.4	2.4	3.5	4.25	7	5.5	4.5	4
MBL	4.93	3.61	3	2.5	3.15	5.05	6.75	6.5	3	2.05
NBL	3.31	2.91	2.5	1.9	2	2.25	2.25	5.75	3	2.5
HBL	3.3	2.7	2.3	1.7	2.75	3.55	3.75	5.25	3.5	2.75
SBL	4.28	4	3.6	2	2.5	4.35	5	4.5	2	2.56

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table savings deposit rate of Nepalese commercial banks is in a fluctuating trend. Most of banks have decreased their savings deposit rate during the 10-year periods. Although NMB decreased its saving deposit rate from 4.2% to 4.5%, GIME increased their saving deposit rate from 4.17% to 2.1%, PCL decreased saving deposit rate from 5.3% to 4.5%, EBL decreased saving deposit rate from 3.26% to 2.5%, LBL increases saving deposit rate from 5% to 2.5%, SIBL decreased saving deposit rate from 4.7% to 4%, MBL decreases saving deposit rate from 4.93% to 2.05%, NBL decreases saving deposit rate from 3.31% to 2.5%, HBL decreased saving deposit rate from 3.3% to 2.75%, SBL decreased saving deposit rate from 4.28% to 2.56% during the periods from 2012/13 to 2021/22.

Table 5

*Fixed deposit interest rate**(in %)*

BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	6.9	9.1	5.28	4.58	6.01	9	7	8.5	6.5	6.5
GIME	6.38	5.25	6.7	4.9	4.7	10	9.25	8.25	7.75	6.8
PCL	8	6.5	5.4	5	6	9	6	8.5	6.5	7.76
EBL	7.2	7.5	4.7	3.3	8	7	6	6	6.5	7
LBL	6.3	7.5	5.3	4.7	6.7	7.5	9.25	9.25	7.25	7
SIBL	8.2	6.8	5.3	4.5	5.3	6	9	7	6.5	7
MBL	6.87	7	6.9	4.7	5.8	8.5	9	8.5	7.25	7.05
NBL	8.35	7.4	5.75	4.8	4.8	7.25	8.5	9.25	7.25	5.5
HBL	6.7	6.8	6	2.7	4.8	6.75	7	8	8.36	7.25
SBL	6.3	7.5	4.48	4.2	6.8	6	8.5	8.5	7.25	7.56

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table fixed deposit interest rates of Nepalese commercial banks are in fluctuating trend. Most banks have decreased their fixed deposit rates during the 10-year periods. However, some banks such as GIME, LBL, MBL, HBL, and SBL banks have increased fixed deposit rates. NMB decreased its fixed deposit rate from 6.9% to 6.5%, GIME increased its fixed deposit rate from 6.38% to 6.8%, PCL decreased its fixed deposit rate from 8% to 7.76%, EBL decreased its fixed deposit rate from 7.2% to 7%, LBL increased fixed deposit rate from 6.3% to 7%, SIBL decreased fixed deposit rate from 8.2% to 7%, MBL increased fixed deposit rate from 6.87% to 7.05%, NBL decreased fixed deposit rate from 8.35% to 5.5%, HBL increased fixed deposit rate from 6.7% to 7.25%, SBL increased fixed deposit rate from 6.3% to 7.56% during the periods from 2012/13 to 2021/22.

Table 6

*Number of branches**(in number)*

BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	21	29	29	69	80	91	163	180	201	201
GIME	80	84	90	91	112	131	138	257	273	292
PCL	16	32	32	32	55	64	73	184	192	187
EBL	50	52	53	61	60	82	94	95	105	123
LBL	29	35	44	50	89	96	115	121	132	150
SIBL	43	46	48	70	72	121	129	176	189	190
MBL	55	56	56	56	62	88	131	159	161	165
NBL	100	120	126	135	146	169	175	203	213	226
HBL	44	50	58	70	86	105	122	138	144	156
SBL	49	51	53	67	70	91	112	134	139	139

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table numbers of branches of Nepalese commercial banks are in increasing trend. Most of all banks have success in increasing their branches during the 10-year periods. NMB increased the number of branches from 21 to 201, GIME increased their number of branches from 80 to 292, PCL increased the number of branches from 16 to 187, EBL increase number of branches from 50 to 123, LBL increase number of branches from 29 to 150, SIBL increase number of branches from 43 to 190 numbers, MBL increase number of branches from 55 to 165 numbers, NBL increase number of branches from 100 to 226, HBL increase number of branches from 44 to 144, SBL increase number of branches from 49 to 139 numbers during the periods from 2012/13 to 2021/22.

Table 7

*Capital Adequacy**(in %)*

BANKS	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	11.74	10.75	11.13	10.98	13.61	15.75	15.45	15.08	15.08	13.59
GIME	11.14	12.38	12.69	12.35	11.37	11.47	12.31	12.48	13.2	12.67
PCL	12.91	12.4	12.16	11.6	13.28	12.24	12.6	13.84	14.82	13.12
EBL	11.59	11.31	13.33	12.66	14.69	14.2	13.74	13.38	12.48	11.89
LBL	12.23	11.91	10.81	11.15	13.58	12.43	11.83	13.02	12.15	12.75
SIBL	11.8	11.39	11.1	11.25	12.74	12.12	12.7	13.17	13.36	13
MBL	12.54	10.63	12.24	12.36	16.82	15.36	12.79	13.02	12.06	13.36
NBL	-0.59	4.55	7.5	10.2	14.47	11.27	16.8	17.01	16.8	15.05
HBL	11.55	11.23	11.14	10.84	12.15	12.46	12.6	14.89	13.89	11.75
SBL	11.49	11.11	12.05	14.47	13.38	12.24	13.32	13.5	12.47	13.38

Source: Annual report of selected sample banks (2012/13 to 2021/22)

From the above table capital adequacy of Nepalese commercial banks is in a fluctuating trend. However, most of banks have succeeded in increasing their capital adequacy during the 10-year periods. NMB increased capital adequacy from 11.74% to 13.59%, GIME increased their capital adequacy from 11.14% to 12.67%, PCL increased capital adequacy from 12.91% to 13.12%, EBL increased capital adequacy from 11.59% to 11.89%, LBL increased capital adequacy from 12.23% to 12.75%, SIBL increased capital adequacy from 11.8% to 13%, MBL increased capital adequacy from 12.54% to 13.36%, NBL increased capital adequacy from -0.59% to 15.05%, HBL increased capital adequacy from 11.55% to 11.75%, SBL increased capital adequacy from 11.49% to 13.38% during the periods from 2012/13 to 2021/22.

Table 8

Growth of Consumer price index, Money supply and Real GDP (in %)

BANKS	Consumer Price Index (CPI)	Money Supply (MS)	Real GDP
2012/13	9.9	16.4	3.9
2013/14	9.1	19.1	5.5
2014/15	4.5	19.9	3.3
2015/16	4.2	19.5	0.4
2016/17	4.6	15.5	7.5
2017/18	4.15	19.4	6.7
2018/19	4.64	15.8	7.1
2019/20	6.15	18.1	-2.37
2020/21	3.6	21.8	4.25
2021/22	6.32	6.8	5.84

Source: Annual report of Nepal Rastra banks (2012/13 to 2021/22)

The structure of macroeconomic variables reveals that the CPI is highest in 2012/13 i.e., 9.99% and it is lowest in 2020/21 i.e., 3.6%. The CPI has fluctuated over the study period. Similarly, the Money supply is highest in 2020/21 i.e., 21.8%, and lowest in 2021/22 i.e., 6.8%. It has also fluctuated over the study period. This table also shows the Real GDP of the Nepalese economy. It is highest in 2016/17 i.e., 7.1% whereas it is lowest in 2019/20 i.e., -2.37%.

4.1.2 Descriptive analysis

The study employs descriptive statistics, including the mean, median, standard deviation, minimum, and maximum values for the variables analyzed.

Table 9

Descriptive analysis

Variables	N	Minimum	Maximum	Mean	S. D
SVDG	100	-45.00	58.00	5.122	11.7371
FXDG	100	-4.00	49.00	9.003	9.8148
CRDG	100	-52.00	62.00	1.733	8.526
SDIR	100	1.50	7.3	3.805	1.397
FDIR	100	2.70	10.0	6.794	1.457
NB	100	16.00	292.0	106.790	59.94
CA	100	-0.6	17.0	12.521	2.192
CPI	10	3.60	9.9	5.716	2.17614
MS	10	6.80	21.80	17.230	4.17188
R.GDP	10	-2.4	7.50	4.212	3.13467

Source: SPSS Output

The results present the descriptive analysis of the dependent and independent variables for the selected commercial banks, along with the macroeconomic variables. In the table above, savings deposit growth varies from a minimum of Rs. -45 billion to a maximum of Rs. 58 billion, resulting in an average of Rs. 5.122 billion and a standard deviation of Rs. 11.73 billion based on 100 observations. Similarly, fixed deposit growth varies from a minimum of Rs. -4 billion to a maximum of Rs. 49 billion, resulting in an average of Rs. 9.003 billion and a standard deviation of Rs. 9.8148 billion based on 100 observations. Current deposit growth varies from a minimum of Rs. -52 billion to a maximum of Rs. 62 billion, resulting in an average of Rs. 1.733 billion and a standard deviation of Rs. 8.526 billion based on 100 observations. The savings deposit rate ranges from a minimum of 1.5 percent to a maximum of 7.3 percent, resulting in an average of 3.80 percent and a standard deviation of 1.39 percent based on 100 observations. Similarly, the fixed deposit rate varies from a minimum of 2.70 percent to a maximum of 10.00 percent, with an average of 6.79 percent and a standard deviation of 1.45 percent, also based on 100 observations. The number of branches varies from a minimum of 16 to a maximum of 292, resulting in an average of 106.79 branches and a standard deviation of 59.94

branches based on 100 observations. Similarly, capital adequacy ranges from a minimum of -0.59 percent to a maximum of 17.01 percent, yielding an average of 12.52 percent and a standard deviation of 2.19 percent, also based on 100 observations. The Consumer Price Index (CPI) ranges from a minimum of 3.60 percent to a maximum of 9.90 percent, resulting in an average of 5.71 percent and a standard deviation of 2.17 percent based on 10 observations. Similarly, the money supply varies from a minimum of 6.80 percent to a maximum of 21.8 percent, yielding an average of 17.23 percent and a standard deviation of 4.17 percent, also based on 10 observations. The Real GDP ranges from a minimum of -2.4 percent to a maximum of 7.50 percent, with an average of 4.21 percent and a standard deviation of 3.134 percent, based on 10 observations.

4.1.3 Correlation analysis

Correlation is the statistical tool that we can use to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of sigma. Among the various methods of finding out the coefficient of correlation, Karl Pearson's method will be applied in the study.

Table 10

Karl Pearson's correlation

	SV									
	DG	FXDG	CRDG	SDIR	FDIR	NB	CA	CPI	MS	R.GDP
SVDG	1	-0.083	-0.032	-0.025	0.038	0.041	-0.186	-0.021	0.362	-0.887**
FXDG		1	-0.036	0.94	0.034	0.592**	0.212*	0.143	-0.128	-0.595
CRDG			1	-0.186	-0.033	0.081	-0.007	-0.079	0.195	-0.842**
SDIR				1	.585**	0.139	.201*	-0.062	0.223	0.681
FDIR					1	.311**	0.107	-0.271	0.443	-0.545
NB						1	.286**	0.168	0.031	-0.448
CA							1	-0.126	-0.061	0.744*
CPI								1	-0.237	-0.044
MS									1	-0.301
R.GDP										1

Source: SPSS Output

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Table 10 shows the Pearson correlation coefficients for selected commercial banks' specific variables and macroeconomic variables. The results show that the savings deposit rate is negatively correlated with savings deposit growth, indicating that an increase in the savings deposit rate corresponds to a decrease in savings deposit growth. In the table, the correlation coefficient is very weak at -0.025. In contrast, the number of branches exhibits a positive correlation with savings deposit growth, suggesting that a higher number of branches leads to greater savings deposit growth, with a weak positive correlation of 0.041. Additionally, capital adequacy (CA) is negatively correlated with savings deposit growth, implying that an increase in CA results in a decrease in savings deposit growth, reflected by a very weak negative correlation of -0.186. The Consumer Price Index (CPI) also shows a negative correlation with savings deposit growth, meaning that an increase in CPI leads to a decline in savings deposit growth, as indicated by a very weak negative correlation of -0.021. On the other hand, money supply is positively correlated with savings deposit growth, indicating that an increase in money supply results in an increase in savings deposit growth, with a weak positive correlation of 0.362. Finally, Real GDP is negatively correlated with savings deposit growth, suggesting that an increase in Real GDP corresponds to a decrease in savings deposit growth, as evidenced by a very strong negative correlation of -0.887 in the table.

The fixed deposit rate is positively correlated with fixed deposit growth, indicating that an increase in the fixed deposit rate results in an increase in fixed deposit growth. In the table above, there is a very weak positive correlation of 0.034 between fixed deposit growth and the fixed deposit rate. Similarly, the number of branches is positively correlated with fixed deposit growth, indicating that an increase in the number of branches corresponds to a rise in fixed deposit growth. Additionally, there is a positive correlation with capital adequacy (CA), suggesting that an increase in CA leads to higher fixed deposit growth, with a weak positive correlation of 0.212. Conversely, the Consumer Price Index (CPI) is positively correlated with fixed deposit growth, meaning that higher CPI values are associated with greater fixed deposit growth, as indicated by a very weak positive correlation of 0.147. On the other hand, the money supply exhibits a negative relationship with fixed deposit growth, indicating that an increase in money supply results in a decrease in fixed deposit growth, with a very weak negative correlation of -0.128. Lastly, Real GDP shows a negative relationship with fixed deposit growth, suggesting that an increase in Real GDP

leads to a decline in fixed deposit growth, reflected by a strong negative correlation of -0.595 in the table.

The number of branches is positively correlated with current deposit growth, indicating that an increase in the number of branches leads to greater current deposit growth. In the table above, this correlation is very weak, with a coefficient of 0.081. Similarly, capital adequacy (CA) shows a negative correlation with current deposit growth, suggesting that an increase in CA results in a decrease in current deposit growth, as reflected by a very weak negative correlation of -0.007 in the table. Conversely, the Consumer Price Index (CPI) is negatively correlated with current deposit growth, indicating that an increase in CPI corresponds to a decrease in current deposit growth, with a very weak negative correlation of -0.079 in the table. The money supply, on the other hand, has a positive relationship with current deposit growth, meaning that an increase in money supply leads to an increase in current deposit growth, with a very weak positive correlation of 0.195. However, Real GDP displays a negative relationship with current deposit growth, indicating that an increase in Real GDP leads to a decline in current deposit growth, as shown by a very strong negative correlation of -0.842 in the table.

4.1.4 Regression analysis

The regression equation describes the average relationship between the dependent variable and two or more independent variables and this relationship is very useful for estimating (or predicting) the dependent variable. In this research, we have done multiple regression analysis and the results are presented in Table 11

Table 11

Estimated regression results

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	SDIR, NB, CA, CPI, MS, R.GDP	.	Enter
a. Dependent Variable: SVDG		Source: SPSS Output	
b. All requested variables entered.			

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998 ^a	.996	.987	0.9902

a. Predictors: (Constant), SDIR, NB, CA, CPI, MS, R.GDP Source: SPSS Output

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	657.059	6	109.510	111.688	.001 ^b
	Residual	2.941	3	0.980		
	Total	660.0000	9			

a. Dependent Variable: SVDG

Source: SPSS Output

b. Predictors: (Constant), SDIR, NB, CA, CPI, MS, R.GDP

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	5.235	4.54		1.153	0.332
	SDIR	3.309	0.679	0.291	4.872	0.017
	NB	0.093	0.023	0.280	4.022	0.028
	CA	-0.772	0.190	-0.359	-4.054	0.027
	CPI	-0.313	0.159	-0.079	-1.967	0.144
	MS	0.380	0.089	-0.185	4.281	0.023
	R.GDP	-1.750	0.220	-0.641	-7.958	0.004

a. Dependent Variable: SVDG

Source: SPSS Output

Table 11 shows the regression result in terms of saving deposit growth for selected commercial banks. The result reveals that the beta coefficient for the saving deposit rate is positive i.e., 3.309. This indicates that an increase in the savings deposit rate leads to positive changes in savings deposit growth. Similarly, the beta coefficient is positive for NB i.e., 0.093. It states that the higher the NB, higher would be the saving deposit growth. Likewise, the beta coefficient for CA is negative i.e., -0.772. This indicates that the higher the CA, the negative effect would be the saving deposit growth. The result also reveals that the beta coefficient for CPI is negative i.e., -0.313. This indicates that an increase in CPI leads to a decrease in saving deposit growth. Similarly, the beta coefficient is positive for

MS i.e., 0.380. It states the positive effects of MS on saving deposit growth. Likewise, the beta coefficient for real GDP is negative i.e., -1.750. This indicates that the higher the Real GDP, the lower would be the saving deposit growth. From the coefficient table, it can be remarked that there is a statistically significant effect of SDIR, NB, CA, MS and R. GDP on overall bank saving deposit growth because the significance level of these variables is less than 5% but there is no statistically significant effect of CPI on bank saving deposit growth because the significance level of this variable is greater than 5%.

It is found that R^2 is 0.996. Then, the model summary shows that the adjusted R Squares is 0.987 which suggests that the independent variables such as saving deposit interest rate (SDIR), number of branches (NB), capital adequacy (CA), consumer price index (CPI), money supply (MS) and Real GDP explained the variations on the dependent variable of saving deposit by 98.7%. From the ANOVA test, it can be remarked that sig. is less than 5% therefore the overall test is significant in predicting the effect of independent variables on dependent variables.

Table 12

Estimated regression results

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	FDIR, NB, CA, CPI, MS, R.GDP	.	Enter

a. Dependent Variable: FXDG

Source: SPSS Output

b. All requested variables entered.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.984 ^a	0.967	0.902	1.0672

a. Predictors: (Constant), FDIR, NB, CA, CPI, MS, R.GDP

Source: SPSS Output

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.079	6	16.846	14.79	0.025 ^b
	Residual	3.417	3	1.139		
	Total	104.496	9			
a. Dependent Variable: FXDG				Source: SPSS Output		
b. Predictors: (Constant), FDIR, NB, CA, CPI, MS, R.GDP						

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	-24.189	6.792		3.562	0.038
	FDIR	-1.105	0.680	-0.257	-1.624	0.203
	NB	-0.017	0.024	-0.713	-0.713	0.527
	CA	-1.103	0.221	-1.289	-4.993	0.015
	CPI	-0.119	0.180	-0.076	0.664	0.554
	MS	-0.53	0.105	-0.064	-0.500	0.651
	R. GDP	-1.105	0.191	-0.257	0.816	0.474

a. Dependent Variable: FXDG

Source: SPSS Output

Table 12 shows the regression result in terms of fixed deposit growth for selected commercial banks. The result reveals that the beta coefficient for fixed deposit rate is negative i.e., -1.105. This indicates that an increase in fixed deposit rate leads to a negative effect in fixed deposit growth. Similarly, the beta coefficient is negative for NB i.e., -0.17. It states that the higher the NB, the lower would be the fixed growth. Likewise, the beta coefficient for CA is negative i.e., -1.103. This indicates that the higher the CA, the lower would be the fixed deposit growth. The result also reveals that the beta coefficient for CPI is negative i.e., -0.119. This indicates that an increase in CPI, and fixed deposit growth also decreased. Similarly, the beta coefficient is negative for MS i.e., -0.053. It states that the higher the MS, the lower would be the fixed deposit growth. Likewise, the beta coefficient for real GDP is negative i.e., -1.105. This indicates that the higher the Real GDP, the lower would be the fixed deposit growth. From the coefficient table, there are no statistically significant effects of FDIR, NB, CPI MS, and R. GDP on fixed deposit growth. From the statistic in the model if the value of sig (p) < 0.05, the model is fit to

predict the effect of independent variables on dependent variables. The result of the study shows that the prediction power of the model does not fit from the point of view of FDIR, NB, CPI MS, and R. GDP because its sig $p > 0.05$. However, there is statistically significant effect of CA on bank fixed deposit growth because the significance level of this variable is less than 5%.

In the model summary, it is found that R^2 is 0.967. Then, the model summary shows that the adjusted R Squares is 0.902 which suggests that the independent variables such as fixed deposit interest rate (FDIR), number of branches (NB), capital adequacy (CA) consumer price index (CPI), money supply (MS) and Real GDP explained the variations on the dependent variable of fixed deposit growth by 90.2%. From the ANOVA table, there are statistically significant effects of FDIR, NB, CA, CPI MS, and R. GDP on fixed deposit growth due to the value of sig $(p) < 0.05$. Therefore, overall the test is significant in predicting the effect of independent variables on dependent variables.

Table 13

Estimated regression results

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	NB, CPI, MS, R.GDP	.	Enter

a. Dependent Variable: CRDG

Source: SPSS Output

b. All requested variables entered.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.996 ^a	0.971	0.936	0.5436

a. Predictors: (Constant), NB, CPI, MS, R.GDP, CA

Source: SPSS Output

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40.221	5	8.044	27.225	0.003 ^b
	Residual	1.182	4	0.295		
	Total	41.403	9			

a. Dependent Variable: CRDG Source: SPSS Output

b. Predictors: (Constant), NB, CPI, MS, R.GDP

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.999	1.584		4.419	0.012
	NB	0.003	0.011	0.034	0.252	0.814
	CA	-0.392	0.099	-0.727	-3.960	0.017
	CPI	-0.182	0.087	-0.184	-2.080	0.106
	MS	0.010	0.049	0.019	0.203	0.849
	R.GDP	-0.197	0.097	-0.268	-2.028	0.112

- a. Dependent Variable: CRDG Source: SPSS Output

Table 13 shows the regression result in terms of current deposit growth for selected commercial banks. The result reveals that the beta coefficient for NB is positive i.e., 0.003. It states that the higher the NB, the higher would be the current deposit growth. Likewise, the beta coefficient for CA is negative i.e., -0.392. This indicates that the higher the CA, the lower would be the current deposit growth. The result also reveals that the beta coefficient for CPI is negative i.e., -0.182. This indicates that an increase in CPI leads to a negative effect on current deposit growth. Similarly, the beta coefficient is positive for MS i.e., 0.010. It states that the higher the MS, the higher would be the current deposit growth. Likewise, the beta coefficient for real GDP is negative i.e., -0.197. This indicates that the higher the Real GDP, the lower would be the current deposit growth. From the coefficient table, there are no statistically significant effects of NB, MS, Real GDP and CPI on current deposit growth. However, CA has a statistically significant effect on current deposit growth. From the statistic in the model if the value of sig (p) < 0.05, the model is fit to predict the effect of independent variables on dependent

variables. The result of the study shows that the prediction power of the model does not fit from the point of view of NB, CPI, Real GDP and MS because it's sig $p > 0.05$. But the prediction power of the model is fit from the point of view of CA.

In the model summary, it is found that R^2 is 0.971. Then, the model summary shows that the adjusted R Squares is 0.936 which suggests that the independent variables such as no. of the branch (NB), capital adequacy (CA), consumer price index (CPI), money supply (MS) and Real GDP explained the variations on the dependent variable of current deposit growth by 93.6%. From the ANOVA table, there are statistically significant effects of NB, CA, CPI, MS, and R.GDP on current deposit growth due to the value of sig (p) > 0.05 . Therefore, overall the test is significant in predicting the effect of independent variables on dependent variables.

Table 14

Research Hypothesis

Hypothesis	Sig. level	Decision
H ₁ 1: SDIR has significant impact on banks saving deposit growth.	0.017	Accepted
H ₁ 2: NB has significant impact on banks saving deposit growth.	0.028	Accepted
H ₁ 3: CA has significant impact on banks saving deposit growth.	0.027	Accepted
H ₁ 4: CPI has significant impact on banks saving deposit growth.	0.144	Rejected
H ₁ 5: MS has significant impact on banks saving deposit growth.	0.023	Accepted
H ₁ 6: GDP has significant impact on banks saving deposit growth.	0.004	Accepted
H ₁ 7: FDIR has significant impact on banks fixed deposit growth.	0.203	Rejected
H ₁ 8: NB has significant impact on banks fixed deposit growth.	0.527	Rejected
H ₁ 9: CA has significant impact on banks fixed deposit growth.	0.015	Accepted
H ₁ 10: CPI has significant impact on banks fixed deposit growth	0.554	Rejected
H ₁ 11: MS has significant impact on banks fixed deposit growth.	0.651	Rejected
H ₁ 12: GDP has significant impact on banks fixed deposit growth.	0.474	Rejected
H ₁ 13: NB has significant impact on banks current deposit growth.	0.814	Rejected
H ₁ 14: CA has significant impact on banks current deposit growth.	0.017	Accepted
H ₁ 15: CPI has significant impact on banks current deposit growth.	0.106	Rejected
H ₁ 16: MS has significant impact on banks current deposit growth.	0.849	Rejected
H ₁ 17: GDP has significant impact on banks current deposit growth.	0.112	Accepted

Source: Research Data

From the above table, SDIR has significant impact on banks saving deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted. NB has a significant impact on banks saving deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted. CA has significant impact on banks saving deposits because its sig. value is <0.05 . So, Alternative hypothesis is accepted. CPI has no significant impact on banks saving deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. MS has significant impact on banks saving deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted. GDP has significant impact on banks saving deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted.

In the above table, FDIR has no significant impact on banks' fixed deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. NB has no significant impact on banks' fixed deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. CA has significant impact on banks' fixed deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted. CPI has no significant impact on banks' fixed deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. MS has no significant impact on banks' fixed deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. GDP has a significant no impact on banks' fixed deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. Similarly, on the above table. NB has no significant impact on banks current deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. CA has significant impact on banks' current deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted. CPI has no significant impact on banks' current deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. MS has no significant impact on banks' current deposit growth because its sig. value is >0.05 . So, Alternative hypothesis is rejected. GDP has a significant impact on banks' current deposit growth because its sig. value is <0.05 . So, Alternative hypothesis is accepted.

4.2 Discussion

The main aim of this study is to investigate the factors influencing bank deposit growth within Nepalese commercial banks. Specifically, the study seeks to explore the structure of savings deposit growth, fixed deposit growth, and current deposit growth, as well as analyze savings deposit rates, fixed deposit rates, the number of branches, and capital adequacy as bank-specific factors. Additionally, it examines the impact of macroeconomic

variables such as the Consumer Price Index (CPI), money supply, and Real GDP. This study is also important for determining the relationship between the bank-specific variable and the macroeconomic variable. Similarly, this study aims to examine and predict the impact of bank-specific variables and macroeconomic variables on savings deposit growth, fixed deposit growth, and current deposit growth, respectively. Furthermore the study aims to determine the most significant factors affecting the bank deposits of Nepalese commercial banks.

The performance of the selected banks has been evaluated according to the different types of deposits. The results indicate a negative and statistically significant relationship between the savings interest rate and savings deposit growth. Similarly, It has indicated a positive but insignificant relationship between the fixed deposit rate and fixed deposit growth. This finding is consistent with the results of Pradhan and Paneru (2016), who similarly found a negative and significant relationship between the savings deposit interest rate and savings deposit growth, along with a positive but insignificant relationship between the fixed interest rate and fixed deposit growth. Likewise, Mamo (2017) and Tun (2019) observed a positive and significant relationship between the deposit interest rate and total bank deposits, whereas Bhattarai (2019) reported a positive but insignificant relationship between the deposit interest rate and total bank deposits.

The findings of the above researchers are inconsistent with my findings because the findings of these researchers have shown the relationship between the total interest rate of the whole bank and the total deposit, while the findings of my research have shown the relationship and effect of the fixed deposit interest rate of ten commercial banks on the fixed deposit growth and the saving interest rate on the saving deposit growth. Therefore, my research can be reliable in understanding the individual relationship and effect between deposit growth and the deposit interest rate.

The results indicate that the number of branches has a positive and significant correlation with savings deposit growth, while exhibiting a negative and insignificant relationship with fixed and current deposit growth. This result is consistent with the finding mentioned by Pradhan and Paneru (2016), they found number of branch is positively correlated and significant relationship with saving deposit growth and negatively and insignificant relationship with fixed and current deposit growth and similarly, the result is inconsistency with findings of Mamo (2019), Zewde et al. (2018), Azolibe (2019), Ahmed

(2021) and Pathak (2022), findings that no of branch and total deposit are positive and significant relationship, while Islam(2019) and Kamugisha (2022) findings a negative and insignificant relationship between no of branch and total deposit.

The findings of these researchers have only shown the relationship between total no of branches of the whole banks and the total deposit, while the findings of my research has shown the both relation and effect of the no of branches of ten commercial banks on the fixed deposit growth, saving deposit growth and current deposit growth. Therefore, my research can be reliable to understand the individual relationship and effect between deposit growth and no of branches.

The results indicate that capital adequacy (CA) has a negative correlation and a significant impact on savings deposit growth, as well as a negative and significant relationship with fixed and current deposit growth. This finding is inconsistency with findings of Yitayaw (2022), found a negative and significant effect on capital adequacy and total deposit. In other hand Zewde et al. (2018), found a positive and significant relationship between capital adequacy and total deposit.

The findings of these researchers have shown only the relationship between the capital adequacy of the whole bank and the total deposit, while the findings of my research have shown both relation and effect of the capital adequacy of ten commercial banks on the fixed deposit growth, saving deposit growth, and current deposit growth. Therefore, my research can be reliable in understanding the relationship between individual deposit growth and capital adequacy.

The result shows that CPI has a negative and insignificant relationship with saving deposit growth and current deposit growth. Conversely, the CPI exhibits a positive but insignificant relationship with fixed deposit growth. This finding consistency with the findings of Pradhan and Paneru (2016), who found that positive and insignificant relationship between fixed deposit growth and inflation and a negative and insignificant relationship between bank deposit growth and inflation. The result inconsistency with the findings of Bhattarai (2019), Azolibe (2019), and Kamugisha (2022), findings a negative and significant relationship between inflation and total deposit. Findings of Zewde et al. (2018), Islam et al. (2019) and Ahmed et al. (2021), positive and significant relationship between inflation and total deposit.

The findings of these researchers have expressed the effect of inflation on the total deposits of all banks, while findings of my research have tried to show both relation and the effect of inflation on the growth of saving, fixed, and current deposits. Therefore, my research can be reliable to understand the individual relationship and effect between the deposit growth and inflation.

Similarly, there is a negative relationship and insignificant impact between money supply and fixed deposit growth and a positive and insignificant relationship between money supply and saving and current deposit growth. The result is inconsistent with the findings of Bhattarai (2019), Islam (2019), and Ahmed (2021), who found a positive and significant relation between money supply and total deposit. Similarly, according to the findings of Tun (2019) found a negative and insignificant relation between money supply and total bank deposits.

The findings of these researchers have expressed the effect of money supply on the total deposit of all banks, while the findings of my research have tried to show the effect of money supply on the growth of saving, fixed, and current deposits. Therefore, my research can be reliable in understanding the individual relationship between deposit growth and the money supply.

The result shows that negative and insignificant relationship between GDP and fixed deposit growth. Similarly, negative and significant relationship between GDP and saving and current deposit growth. The result is consistent with the findings of Pradhan and Paneru (2016) found a negative and insignificant relationship between GDP and fixed deposit growth and a negative and significant relationship between GDP and saving and current deposit growth. The result is inconsistent with the findings of Dhungana (2011), Bhattarai (2019), Tun(2019), and Azolibe (2019), who found a positive and significant relationship between GDP and total deposit, Similarly, Islam et al. (2019), found a negative and insignificant relation between GDP and total bank deposit.

The findings of these researchers have expressed the effect of GDP on the total deposits of all banks, while the findings of my research have tried to show the effect of GDP on the growth of saving, fixed, and current deposits. Therefore, my research can be reliable in understanding individual relationship and effect between deposit growth and the GDP of individual banks.

CHAPTER -V

SUMMARY AND CONCLUSION

5.1 Summary

Banks are essential for the economic development and growth of any nation. Banks serve as the foundational pillars of a country's financial system. They are institutions that collect deposits from across the nation by attracting customers with innovative and appealing products. Deposits are the source of any commercial banks. The research is intended to address the major elements that determine the bank deposit growth in Nepalese commercial banks. Deposit is one of the important elements of the banking business. Without a deposit function of bank cannot be imagined. Many factors determine a bank's deposit such as saving deposit rate, fixed deposit rate, number of branches, return on assets, population growth rate, money supply, gross domestic product, consumer price index, exchange rate, security, bank image, bank service, and so on. Deposit growth is a multifaceted metric that reflects economic conditions, consumer behavior, and the effectiveness of monetary policies. It plays a crucial role in a bank's operations, impacting liquidity, profitability, and the ability to support credit creation in the broader economy. Monitoring deposit growth is vital for assessing the overall health and resilience of the banking sector.

The primary objective of this study is to analyze the factors influencing the growth of bank deposits in Nepalese commercial banks. Additionally, the study aims to examine the trends in bank deposit growth among these institutions. To examine the relationship of bank specific variable (saving deposit interest rate, fixed deposit interest rate, number of branches, capital adequacy) and macroeconomic variable (money supply, gross domestic products, consumer price index) on bank deposit growth and to analyze the effect of bank specific variable (saving deposit interest rate, fixed deposit interest rate, number of branches, capital adequacy) and macroeconomic variable (money supply, gross domestic products, consumer price index) on bank deposit growth in Nepalese commercial banks.

This study is based on descriptive and casual research design. Relevant thesis, journals, articles, related website are also used for this research. Out of total population of twenty commercial banks, ten commercial banks are taken as sample. Ten years data are taken to conduct the study from 2012/13 to 2021/22 on the basis of random sampling method.

Descriptive analysis, correlation analysis, regression analysis and t – test are used in this research.

According to the finding of this study the correlation analysis shows that saving deposit interest rate, capital adequacy, consumer price index and gross domestic product have negative relation with saving deposit growth. Number of branches and money supply have positive correlation with saving deposit growth. On the other hand fixed deposit interest rate, number of branches, capital adequacy and consumer price index have positive correlation with fixed deposit growth. Money supply and gross domestic product have negative correlation with fixed deposit growth. On the other hand number of branches and money supply have positive correlation with current deposit growth. Capital adequacy, consumer price index and gross domestic product have negative correlation with current deposit growth.

The multiple regression analysis reveals that saving deposit interest rate, no of branches, money supply have positive and statically significant impact, capital adequacy has negative and insignificant impact and consumer price index and gross domestic product have negative and significant impact on saving deposit growth. On other hand, fixed deposit interest rate, no of branches, consumer price index, money supply and gross domestic product have negative and insignificant impact on fixed deposit growth and capital adequacy has negative and significant impact on fixed deposit growth. On the other hand, no of branches and money supply have positive and insignificant impact, capital adequacy has negative and significant impact and consumer price index and gross domestic product have negative and insignificant impact on current deposit growth.

5.2 Conclusion

In this section, we present a conclusion according to our research objectives and analysis of the study.

Concerning the first objective, the trend in bank savings deposit growth across all commercial banks has shown an increase during the study periods. However, saving deposit growth decreased in the last study period. In these periods NMB, GIME, PCL, and NBL have higher bank saving deposit growth. SIBL, SBL, has moderate bank saving deposit growth, and LBL, HBL; SBL, MBL has comparatively lower bank saving deposit growth in the study time.

Likewise, the trend in fixed deposit growth among all commercial banks has shown an upward increase during the study periods. In these periods NMB, GIME, SBL and HBL have higher bank fixed deposit growth. PCL, EBL, NBL, has moderate bank fixed deposit growth, and LBL, SIBL; MBL has comparatively lower bank fixed deposit growth in the study time.

The trend of bank current deposit growth of all commercial banks has fluctuating in the study time periods. In these periods NBL and PCL have higher bank current deposit growth. SIBL, GIME, NMB has moderate bank fixed deposit growth and LBL, HBL, SBL, MBL, and EBL exhibited comparatively lower growth in current deposits during the study period.

Concerning the second objective bank specific variables (SDIR, CA) have a negative and NB has positive correlation with saving deposit growth. Whereas, macroeconomic variables (CPI, GDP) have a negative and MS has positive correlation with saving deposit growth. Similarly, bank specific variables (FDIR, NB CA) have a positive correlation with fixed deposit growth. Whereas, macroeconomic variables (MS, GDP) have a negative and CPI has a positive correlation with fixed deposit growth. Similarly, bank specific variables NB has a positive and CA has a negative correlation with current deposit growth. Whereas, macroeconomic variables (CPI, GDP) have a negative and MS has a positive correlation with current deposit growth.

Regarding the third objective bank-specific variables (saving deposit rate, number of branches, and capital adequacy) and macro-economic variables (CPI, MS, and Real GDP) Fluctuations during the study period had both significant and insignificant impacts on bank savings deposit growth. The SDIR, NB and MS have a positive and highly significant impact on saving deposit growth. Similarly, CA, Real GDP and have negative and significant impacts on bank saving deposit growth respectively. Whereas, CPI has negative and significant impact on saving deposit growth.

Likewise, bank-specific variables (fixed deposit rate, number of branches, and capital adequacy) and macro-economic variables (CPI, MS, and Real GDP) fluctuations during the study period had an insignificant impact on bank fixed deposit growth. FDIR, NB CPI, MS and GDP have a negative and insignificant impact on fixed deposit growth. Similarly CA has negative and significant impact on fixed deposit growth.

Bank-specific variables (number of branches and capital adequacy) and macro-economic variables (CPI, MS, and Real GDP) fluctuations during the study period significantly and insignificantly influenced the growth of current deposits. NB and MS have positive and insignificant impacts on the current deposit growth of Nepalese commercial banks. Similarly, CA has negative and significant impacts on banks current deposit growth. CPI and Real GDP have a negative and insignificant impact on banks' current deposit growth.

5.3 Implications

Based on the study's summary and conclusion, the following implications have been outlined:

Implication to policymaker

- i. The study revealed that saving deposit interest rate has significant impact on saving deposit growth. The strong relationship between deposit interest rate and bank deposit growth suggest that interest rate adjustments can be a powerful tool for managing economic stability. Policymaker should carefully calibrate deposit interest rate to influence the level of savings in the economy. Higher deposit rate encourage greater savings, which can enhance financial stability and provide banks with more capital for lending and investment.
- ii. The study revealed that money supply has a significant impact on saving deposit growth. Policymaker must carefully manage the money supply to balance economic growth and stability, as it directly influences bank deposit levels and broader financial condition.
- iii. No of branches has significant impact on saving deposit growth. In this finding policy maker should consider branch expansion strategies as a tool to enhance deposit growth and improve financial inclusion.
- iv. Real gross domestic product has significant impact on saving deposit growth, policy maker should focus on fostering economic growth through policies that boost GDP, as stronger economic performance can lead to increase deposits, improved banking sector stability, and enhanced financial resilience.
- v. Capital adequacy has a significant impact on saving, fixed and current deposit growth, policymaker should ensure that banks maintain sufficient capital level to enhance their stability and credibility, which can encourage deposit growth and strengthen the overall financial system.

Implication to practitioners

- i. In this study the implication for practitioners from the finding that they should carefully set deposit interest rate to attract and retain customers, as these rates have a direct influence on bank deposit growth and financial performance.
- ii. Practitioners should consider expanding their branch network to increase accessibility and convenience for customer, there by driving higher bank deposit growth.
- iii. For practitioners, the implication of capital adequacy significantly impacting bank deposit growth is that they should ensure strong capital levels to enhance stability and build customer confidence, which in turn can attract more deposits and support growth
- iv. For practitioners, the implication of money supply significantly impacting bank deposit growth is that they should monitor and adopt their deposit strategies in response to change in monetary policy and money supply to optimize deposit growth and manage liquidity effectively.
- v. For practitioners, the implication of real GDP significantly impacting bank deposit growth is that they should adjust deposit strategies based on economic condition and GDP trend to align with economic cycles and optimize deposit growth.

Implication to researcher

For researcher, the implication of saving deposit interest rate, no of branches, capital adequacy, money supply and real GDP have a significantly impact on bank deposit growth is that they should conduct comprehension studies analyze how each of these factors individually and collectively influence deposit growth. This includes exploring their interaction, understanding underlying mechanisms and developing models that can predict and explain deposit behaviors, which can inform both academic theory and practical banking strategies.

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APPENDICES

Appendix I

Structure of saving deposit

(Rs in Billion)

BANKS	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	3	11	16	22	37	24	28	37	48	68	57
GIME	11	24	29	36	40	45	42	50	86	116	100
PCL	3	18	21	22	21	79	34	29	46	46.14	39.14
EBL	17	34	40	55	58	48	50	53	57	74	67
LBL	4	10	14	19	24	25	27	31	37	48	46
SIBL	5	16	21	27	41	32	42	49	53	75	68
MBL	8	16	23	30	32	23	26	34	42	53	50
NBL	70	35	41	46	55	48	54	60	66	80	71
HBL	21	32	43	53	60	44	43	43.71	50.5	61	51
SBL	7	13	13.34	15.3	23	18	23	28	35	47	41

Appendix II

Structure of Fixed deposit

(Rs in Billion)

BANKS	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	6	8	7	11	26	41	45	49	69	81	113
GIME	10	12	19	19.1	19.52	51.5	53	60	109	134	155
PCL	9	9.1	11	16	24	32	31	41	69	93	107
EBL	13	14	14.4	19.3	25	36	54	64	72	68	88
LBL	10	13	14	17	20	28	32	41	52	55	82
SIBL	10	10	11	14	19	33	40	53	73	84	107
MBL	7	10	12	11	17	31	41	46	55	69	83
NBL	24	12	12.5	11.5	11.1	21	19	25	40	40.92	69
HBL	11.3	13.3	13.	10	16	37	41	50	56	60	98
SBL	7.3	10.3	10	16	25	35	39	41	47	49	80

Appendix III**Structure of Current deposit****(Rs in Billion)**

BANKS	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
NMB	0.6	1	2	3	4	7	10	11	13	16	15
GIME	0.96	1	2	3	4	5	9.1	9	16	17	21
PCL	0.6	0.7	1	1.3	2.2	4	6	6.8	3.8	14.6	12.5
EBL	6	8	7	7.5	9.3	9.7	11.5	11.3	12.2	16	17
LBL	0.878	1	1.2	3	2	5	5.1	7	8	11	11
SIBL	0.7	1	2	2.4	4.2	5	11	12	13	21	15
MBL	0.633	1	1.3	1.7	2.7	2.72	3	4	6	9	11
NBL	14	7	7.3	17.2	21	23	25	87	35	41	55
HBL	4	6	7	9	10	10.3	14.2	15	18	18	18
SBL	0.516	0.9	1	1.4	2.4	3.4	4.4	5.3	7.2	10	9

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