

**A COMPARATIVE STUDY ON INTEREST RATE AND ITS  
EFFECT ON DEPOSIT MOBILIZATION OF SELECTED  
COMMERCIAL BANKS OF NEPAL**

**Submitted by:**

**MOHAMMAD MATIUR RAHMAN**

CENTRAL DEPARTMENT OF MANAGEMENT

T.U. REGISTRATION No. 7-2-236-134-2007

Campus Roll no: 312/2068-70

Exam Roll no.280595

**A Thesis Submitted to:**

Office of the Dean

Faculty of Management

Tribhuvan University

*In Partial Fulfillment of the Requirement of the Degree of*

*Master of Business Studies (MBS)*

**Kathmandu, Nepal**

**April, 2019**

## **RECOMMENDATION**

This is to certify that the thesis

*Submitted by:*

**MOHAMMAD MATIUR RAHMAN**

*Entitled:*

**“A COMPARATIVE STUDY ON INTEREST RATE AND ITS EFFECT ON DEPOSIT MOBILIZATION OF SELECTED COMMERCIAL BANKS OF NEPAL”**

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

.....

Prof. Dr. Achyut Gyawali

(Thesis Supervisor)

Prof. Dr. Sanjay Kumar Shrestha

(Chairperson of Research Committee)

Prof. Dr. Ramji Gautam

(Head of Department)

Date:-.....

## VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

*Submitted by:*

**MOHAMMAD MATIUR RAHMAN**

*Entitled:*

“A COMPARATIVE STUDY ON INTEREST RATE AND ITS EFFECT ON DEPOSIT MOBILIZATION OF SELECTED COMMERCIAL BANKS OF NEPAL”

*And found the thesis is to be the original work of the student and written according to the prescribed formed. We recommend the thesis to be accepted as partial fulfillment of the requirements for Master’s Degree in Business Studies (M.B.S.)*

### ***VIVA-VOCE COMMITTEE***

Chairperson of Research Committee : .....

Member (Thesis Supervisor) : .....

Member (External Expert) : .....

Member (Head of Department) : .....

Date:- .....

## DECLARATION

I hereby declare that the work reported in this thesis entitled “A COMPARATIVE STUDY ON INTEREST RATE AND ITS EFFECT ON DEPOSIT MOBILIZATION OF SELECTED COMMERCIAL BANKS OF NEPAL” submitted to office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfilment for the requirement of Masters of Business Studies (MBS), under the supervision of Prof. Dr. Achyut Gyawali of Central Department of Management.

.....

**Mohammad Matiur Rahman**

**(Researcher)**

Central Department of Management

T.U. Regd. No: 7-2-236-134-2007

Campus Roll No: 312/2068-70

Exam Roll no. 280595

## **ACKNOWLEDGEMENT**

The Present Thesis entitled “**A COMPARATIVE STUDY ON INTEREST RATE AND ITS EFFECT ON DEPOSIT MOBILIZATION OF SELECTED COMMERCIAL BANKS OF NEPAL**” is for Master’s degree in business studies (MBS) from this research work I gained lots of guide lines and suggestion from my teachers, friends and others companies officials. I would like to express my heartfelt gratitude and sincere thanks to the individuals who gave their valuable contribution to the successful completion of this thesis.

Firstly my thanks go to the supervisor **Prof. Dr. Achyut Gyawali** for their various advices particularly on my thesis. I acknowledge staff of all the sample banks that provided me the sources of data and other necessary information for this thesis.

My special gratitude goes to the individuals who were part of this thesis. I would like to give special thanks to **Prof. Dr. Sanjay Kumar Shrestha** for his valuable Suggestion. I am also equally thankful to my friends Nadeem Ghalib for encouraging me to write this Thesis.

Last, but not the least, a special note of thanks to those who provided their suggestions directly or indirectly for completion of this thesis on time.

Date: \_\_\_\_\_

**Mohammad Matiur Rahman**

Central Department of Management

Kirtipur, Kathmandu

## TABLE OF CONTENTS

Declaration

Recommendation

Viva-Voce Sheet

Acknowledgement

Table of Contents

List of Tables

Abbreviations

### CHAPTER-I

#### INTRODUCTION

1- 7

1.1 General Background of the study .....1

1.1.1 Historical Background .....1

1.1.2 Banking System in Nepal .....2

1.1.3 Current Scenario of Banking Industry .....2

1.2 Statement of the Problem .....4

1.3 Objectives of the Study .....5

1.4 Limitations of the Study .....5

1.5 Significance of the Study .....5

1.6 Organization of the Study .....6

### CHAPTER-II

#### REVIEW OF LITERATURE

7-28

2.1 Conceptual Review .....	7
2.1.1 Interest Rate Theories .....	7
2.1.2 Interest Rates in Financial System .....	14
2.1.3 Functions of Interest Rate in the Economy .....	14
2.1.4 Determinants of Interest Rates .....	14
2.2 Concept of Deposit .....	15
2.2.1 Types of Deposit .....	16
2.2.2 Importance of Deposit .....	18
2.2.3 Deposit Mobilization .....	18
2.2.4 Need for Deposit Mobilization .....	20
2.2.5 Factors Affecting Deposit Mobilization .....	21
2.3 Reviews from Relevant Studies .....	22
2.3.1 Review of Books .....	22
2.3.2 Review of Journals and Articles .....	25
2.3.3 Review of Theses .....	26
2.4 Research Gap .....	28

### **CHAPTER III**

#### **RESEARCH METHODOLOGY**

**29-34**

3.1 Research Design .....	29
3.2 Sources of Data .....	29
3.3 Population and Sample .....	29
3.4 Method of Analysis .....	30

3.5 Conceptual Framework of the study .....34

**CHAPTER IV**

**DATA ANALYSIS AND PRESENTATION 35-51**

4.1 Introduction .....35

4.2 Analysis of Deposit and Interest Rate Position .....36

4.2.1 Deposit and Interest Rate Position of NBL .....36

4.2.2 Deposit and Interest Rate Position of ADBL .....36

4.2.3 Deposit and Interest Rate Position of SCBL .....37

4.2.4 Deposit and Interest Rate Position of NABIL .....37

4.3 Mean, Standard Deviation and Coefficient of Variation Analysis .....38

4.3.1 Mean, Standard Deviation and Coefficient of Variation of Deposit .....38

4.3.2 Mean, Standard Deviation and Coefficient of Variation of Interest Rate .....39

4.4 Correlation Analysis .....39

4.4.1 Correlation between Deposit and Interest Rate .....39

4.4.2 Correlation between Deposit and Investment .....40

4.4.3 Correlation between Deposit and Loan & Advances .....41

4.5 Trend Analysis .....42

4.5.1 Trend Analysis of Deposit .....42

4.5.2 Trend Analysis of Interest Rate .....43

4.5.3 Trend Analysis of Investment .....44

4.5.4 Trend Analysis of Loan and Advances .....45

4.6 Analysis of Different Ratios .....46



4.6.1 Loan and advances to Total Deposit Ratio .....	46
4.6.2 Total Investment to Total Deposit Ratio .....	46
4.6.3 Interest Expenses on Total Deposit & Borrowing Ratio .....	47
4.6.4 Interest Income on Loan & Advances Ratio .....	47
4.7 Analysis of Interest Rates and Their Segregation .....	48
4.8 Major Findings of the Study .....	50

## **CHAPTER- V**

### **SUMMARY, CONCLUSION & RECOMMENDATIONS** **52-56**

5.1 Summary .....	52
5.2 Conclusion .....	53
5.3 Recommendations .....	54

## **BIBLIOGRAPHY**

## **APPENDIX**

## LIST OF TABLES

Table: 1 Deposit and Interest Rate Position of NBL .....	36
Table: 2 Deposit & Interest Rate position of ADBL.....	37
Table: 3 Deposit and Interest Rate Position of SCBL.....	37
Table: 4 Deposit & Interest Rate position of NABIL .....	38
Table: 5 Mean, Standard Deviation and Coefficient of Variation of Deposit .....	38
Table: 6 Mean, Standard Deviation and Coefficient of Variation of Interest Rate .....	39
Table: 7 Correlation between Deposit and Interest Rate .....	40
Table: 8 Correlation between Deposit and Investment .....	40
Table: 9 Correlation between Deposit and Loan & Advances .....	41
Table: 10 Trend Values of Deposit .....	42
Table: 11 Trend Values of Interest Rate .....	43
Table: 12 Trend Values of Investment .....	44
Table: 13 Trend Values of Loan and Advances .....	45
Table: 14 Loan and Advances to Total Deposit Ratio .....	46
Table: 15 Total Investment to Total Deposit Ratio .....	46
Table: 16 Interest Expenses on Total Deposit & Borrowing Ratio .....	47
Table: 17 Interest Income on Loan & Advances Ratio .....	48
Table: 18 Interest Rate Structure on Deposit (%) .....	48
Table: 19 Interest Rate Structure on Loan (%) .....	49

## List of Figure

Figure: 1 Trend Value of Deposit .....	42
Figure: 2 Trend Value of Interest .....	43
Figure: 3 Trend Value of Investment .....	44
Figure: 4 Trend Value of Loan & Advances .....	45

## ABBREVIATIONS

ADBL	Agriculture Development Bank Limited
Amt.	Amount
ATM	Automated Teller Machine
C.V.	Coefficient of Variation
CD	Certificate of Deposit
FDR	Fixed Deposit Rate
FIs	Financial Institutions
FY	Fiscal Year
GDP	Gross Domestic Product
Ltd.	Limited
MBS	Master's of Business Studies
NABIL	Nabil Bank Limited
NBL	Nepal Bank Limited
NGO	Non Government Organization
NIDC	Nepal Industrial Development Corporation
No.	Number
NOW	Negotiable Order of Withdrawal
NRB	Nepal Rastra Bank
S.D.	Standard Deviation

SCBL	Standard Chartered Bank Limited
SLR	Statutory Liquidity Ratio
T.U.	Tribhuvan University
U.S	United States