

**PRESENT SCENARIO OF RETAIL BANKING IN NEPAL**

**(A Comparative Study of EBL & HBL)**

**A THESIS**

**Submitted by**

**Basudev Dhungana**

**Campus Roll No: 1920/064**

**T.U. Reg. No: 7-2-478-46-2004**

**Shanker Dev Campus**

**A Thesis Submitted to**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

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

**Master of Business Studies (M.B.S.)**

**Putalisadak, Kathmandu, Nepal**

**July, 2013**

## **RECOMMENDATION**

This is to certify that the Thesis

Submitted by:

**Basudev Dhungana**

**Entitled:**

**PRESENT SCENARIO OF RETAIL BANKING IN NEPAL**

**(A Comparative Study of EBL & HBL)**

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

## VIVA-VOCE SHEET

We have conducted the viva-voce of the thesis presented

By

**Basudev Dhungana**

Entitled:

**PRESENT SCENARIO OF RETAIL BANKING IN NEPAL**

**(A Comparative Study of EBL & HBL)**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the

**Degree of Master's in Business studies (M.B.S.)**

### Viva-Voce Committee

Head, Research Department	.....
Member (Thesis Supervisor)	.....
Member (External Expert)	.....

## **DECLARATION**

I, hereby, declare that the work reported in this thesis entitled **PRESENT SCENARIO OF RETAIL BANKING IN NEPAL (A Comparative Study of EBL & HBL)** submitted to office of the Dean, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Masters of Business Studies (MBS) under the supervision of **Asso. Prof. Dr. Shilu Manandhar Bajracharya** of Shanker Dev Campus, Putalisadak, Kathmandu.

.....

**Basudev Dhungana**

Researcher

Roll No: 1920/064

Shanker Dev Campus

Date: - July, 2013

## **ACKNOWLEDGEMENT**

This is an attempt to present thesis entitled **PRESENT SCENARIO OF RETAIL BANKING IN NEPAL (A Comparative Study of EBL & HBL)** prepared for partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) is an outcome of continuous and immeasurable cooperation and support of several hands. I would like to express my heartfelt gratitude to all for their support.

I express my sincere honor and special sense of gratitude to my academic supervision, **Asso. Prof. Dr. Shilu Manandhar Bajracharya** for their generous guidance, thoughtful encouragement and brilliant insight throughout this research work.

I am extremely indebted to my parents and brother and Sister who have contributed their valuable time and resources in making me what I am now.

I am grateful to EBL and HBL, Shanker Dev Library and Central Library of T.U. I am indebted to the sources of inspiration of all known and unknown authors and writers from whom; I gathered a great impetus to the completion of this thesis.

Due thanks and appreciations go to my Teachers and all the family members who despite many inconveniences provide me with a suitable environment throughout the study period.

**Basudev Dhungana**

Roll No: 1920/064

Shanker Dev Campus

# TABLE OF CONTENTS

Recommendation

Viva-Voce Sheet

Declaration

Acknowledgements

Table of Contents

List of Tables

List of figures

List of Abbreviations

**Page No.**

## **CHAPTER-I: INTRODUCTION**

**1-7**

1.1	General Background of Study	1
1.2	Brief Profile of Sample Banks	3
1.3	Statement of the Problem	4
1.4	Objectives of the Study	5
1.5	Significance of the Study	5
1.6	Limitations of the Study	6
1.7	Organization of the Study	6

## **CHAPTER-II: REVIEW OF LITERATURE**

**8-51**

2.1	Conceptual Framework	8
2.1.1	Retail Banking	8
2.1.2	Benefits of Retail Banking	10
2.1.3	Scope for Retail Banking in Nepal	10
2.1.4	Advantages and Disadvantages of Retail Banking	10
2.1.5	Opportunities	12
2.1.6	Challenges to Retail Banking	13
2.1.7	Strategies for Improving Retail Banking	14
2.1.8	Special Features of Retail Credit	16
2.1.9	Emerging Issues in Handling Retail Banking	17
2.1.10	Some Critical Issues	22
2.1.11	Bank Lending Policy	24
2.1.12	Types of Loans Made by Banks	25

2.1.13	Retail Banking Products	25
2.1.14	Resurgence of Retail Banking	29
2.1.15	Present Status of Retail Banking in Nepal	31
2.1.16	Features of Sound Lending and Investment Policy	32
2.1.17	Consumer Lending and Borrowing	34
2.1.18	Consumers as Lenders of Funds	38
2.2	Review of Related Studies	40
2.2.1	Review of Previous Thesis	44
2.3	Research Gap	51
<b>CHAPTER-III: RESEARCH METHODOLOGY</b>		<b>52-57</b>
3.1	Research Design	52
3.2	Population and Sample	52
3.3	Source of Data	53
3.4	Data Collection Techniques	53
3.5	Data Processing and Presentation	53
3.6	Data Analysis Tools	54
<b>CHAPTER-IV: PRESENTATION AND ANALYSIS OF DATA</b>		<b>58-90</b>
4.1	Position of Home Loan	58
4.2	Position of Auto Loan	61
4.3	Position of Personal Loan	63
4.4	Relationship between Retail Banking Products and Total Loan and Advance	66
4.4.1	Analysis of correlation coefficient between Home Loan and Total Loan and Advances for EBL and HBL.	67
4.4.2	Analysis of correlation coefficient between Auto Loan and Total Loan and Advance for EBL and HBL.	68
4.4.3	Analysis of Correlation Coefficient between Personal Loan and total loan and advance for EBL and HBL.	69
4.5	Trend Analysis	70

4.5.1 Trend Analysis of Home Loan for EBL and HBL.	70
4.5.2 Trend analysis of Auto Loan for EBL and HBL.	72
4.5.3 Trend Analysis of Personal Loan for EBL and HBL	73
4.6 SWOT Analysis of EBL and HBL	75
4.7 Analysis of Primary Data	79
4.7.1 Pace of Retail Banking in Nepal	79
4.7.2 Desirability of Retail Banking	80
4.7.3 Use of Retail Banking Product	81
4.7.4 Preference for Retail Banking Product	81
4.7.5 Motivating Factors for Retail Banking Product	82
4.7.6 Role of Retail Banking Product to help Increase Performance	84
4.7.7 Factors Affected by Retail Banking Product to Improve Banks Performance	85
4.7.8 Difficulties Faced by Commercial Banks	86
4.8 Major Findings of the Study	87
<b>CHAPTER-V: SUMMARY CONCLUSIONS &amp; RECOMMENDATIONS</b>	<b>91-96</b>
5.1 Summary	91
5.2 Conclusion	93
5.3 Recommendations	95
Bibliography	
Appendices	



## LIST OF TABLES

<b>Table No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Home Loan: Position, Contribution and Average Growth	58
4.2	Auto Loan: Position, Contribution and Average Growth	61
4.3	Personal Loan: Position, Contribution and Average Growth	64
4.4	Correlation Coefficient between Home Loan and Total Loan and Advance	67
4.5	Correlation Coefficient between Auto Loan and Total Loan and Advance	68
4.6	Correlation Coefficient between Personal Loan and Total Loan and Advance	69
4.7	Trend Analysis of Home Loan for EBL and HBL	71
4.8	Trend Analysis of Auto Loan for EBL and HBL	72
4.9	Trend Analysis of Personal Loan for EBL and HBL	74
4.10	Pace of Retail Banking in Nepal	79
4.11	Desirability of Retail Banking	80
4.12	Use of Retail Banking Product	81
4.13	Preference for Retail Banking Product	82
4.14	Motivating Factor for Retail Banking Product for Customer	83
4.15	Role of Retail Banking Product to help Increase Performance	84
4.16	Factor Affected by Retail Banking to Increase Performance	85
4.17	Difficulties Nepalese Commercial Banks Face to Increase Retail Banking	86

## **LIST OF FIGURES**

<b>Figure No.</b>	<b>Title</b>	<b>Page No.</b>
4.1	Home Loan Disbursement by Banks	59
4.2	Home Loan Contribution in Loan and Advance	60
4.3	Average Growth Rate of Home Loan	60
4.4	Auto Loan Disbursement by Banks	62
4.5	Auto Loan- Contribution to Loan and Advance	62
4.6	Average Growth Rate of Auto Loan	63
4.7	Personal Loan Disbursement by Banks	65
4.8	Personal Loan Contribution in Loan and Advance	65
4.9	Average Growth Rate of Personal Loan	66
4.10	Trend Analysis of Home Loan for EBL and HBL	71
4.11	Trend Analysis of Auto Loan for EBL and HBL	73
4.12	Trend Analysis of Personal Loan for EBL and HBL	75
4.13	Pace of Retail Banking in Nepal	79
4.14	Desirability of Retail Banking	80
4.15	Use of Retail Banking Product	81
4.16	Preference for Retail Banking Product	82
4.17	Motivating Factor for Retail Banking Product for Customer	83
4.18	Role of Retail Banking Product to help Increase Performance	84
4.19	Factor Affected by Retail Banking to Increase Performance	85
4.20	Difficulties Nepalese Commercial Banks face to increase Retail Banking	87

## **ABBREVIATIONS**

ATM	Automatic Teller Machine
CBS	Central Bureau of Statistics
CIT	Citizen Investment Trust
CPI	Consumer Price Index
CRM	Customer Relationship Management
CV	Coefficient Variance
EBL	Everest Bank Limited
E-Cash	Electronic Cash
EMI	Equal Monthly Installment
FY	Fiscal Year
GDP	Gross Domestic Product
HBL	Himalayan Bank Limited
ICICI	Industrial Credit & Investment Cooperation of India Limited
IPO	Initial Public Offering
Ltd.	Limited
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NG	Nepalese Government
NIDC	Nepal Industrial & Development Capital Markets
NPA	Non Performing Assets
NRB	Nepal Rastra Bank
P.E.	Probable Error
S.D.	Standard Deviation
SBL	Siddhartha Bank Limited
SEBON	Security Exchange Board of Nepal
SN	Serial Number
TU	Tribhuvan University
USAID	United States Agency for International