

# CHAPTER-1

## INTRODUCTION

### **1.1 Background of the study**

Bank has always played a significant role for the financial activities in the different financial sectors. So, bank is the major need for various developments. Bank collects fixed deposits as a saving from the community and invest them into most desirable and highly yielding sector as a full to a process of economic development. It develops saving habits of people. The habit of the banking as the nerve center of economic development cannot be over emphasized and it is said that bank which are the need of and great wealth of country have got to be kept very scared. Just as water for irrigation, good banks are for the country's industry and trade (Desai, 1967).

Deposit is the most important source of the liquidity for every commercial bank for financial strength of banks; it is treated as a barometer. A deposit is the lifeblood of the commercial banks. Even though, they constitute the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits. Depositors keep their money in the banks for a motive to undertake some activities in the future. Financial sector is broad which consists of the banking sector and other financial institution (such as insurance corporations and pension funds, brokers, public exchange and securities markets, Micro Finance Institution, etc.). Banks have historically been viewed as playing role in financial market for two reasons. One is that they perform a critical role in facilitating payments. Commercial banks, as well as other intermediaries, provide services in screening and monitoring borrowers, banks reduce the cost of supplying credit. Thus in their role as lenders, banks are often not merely buying someone's debt, rather they are providing significant financial service associated with extending credit to their customers and to the extent that investors want to hold banks liabilities, banks can fund borrowers directly.

Banks perform various roles in the economy, they ameliorate the information problems between investors and borrowers by monitoring the latter and ensuring a proper use of the depositors' fund; they provide inter temporal smoothing of risk that cannot be diversified at a given point in time as well as insurance to depositors against unexpected consumption shocks. Mobilization of deposit is one of the important functions of banking businesses. It is an important source of working fund for the bank. Deposit mobilization is an indispensable act or to increase the sources of the banks to serve effectively. Mobilization of deposit plays an important role in providing satisfactory service to different sectors of the economy. The success of the banking greatly lies on the deposit mobilization. Performance of the bank depends on deposits, as the deposits are normally considered as a cost effective source of working

fund. There are different types of deposits, with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits. Mobilization of deposits for a bank is as essential as oxygen for human being. To enhance profitability, banks take steps to minimize the expenditure and are forced to mobilize low cost deposits. In the present context banks' performance is measured on several indicators, including the deposit mix and the quantum of low cost deposits in the mix among others. In the present era of competition and with the emergence of private and multinational banks, an ideal mix of deposits is a must to survive. Since the interest paid on deposit forms a big burden on bank, the mobilization of low cost deposits, like current account and saving bank deposit is the urgent need for the bank. Banks borrow and lend, they borrow money by accepting deposits from the public including members of the bank.

Deposit Mobilization is the chief sources of funds to undertake lending operations, for profitable operation, the amount of deposits is very important. The banks should introduce various deposits schemes to attract the public to deposit. It is the size of the deposits that largely decides the lending potential of a bank. Deposit Mobilization is an integral part of any bank. It is the primary function of any commercial banks. Bank cannot achieve its goal and objective without mobilizing the deposit in the right sector in different activities. Banks will have to show an ascending order if profit in order to ensure growth with stability. For this purpose, the bank will have to allocate the resources to different sectors in such a way the banks can gain adequate profitability. Therefore, banks should mobilize their deposits in suitable and profitable banking activities in the right sector. For accounting and analyzing purpose, deposits are categorized in three headings.

General fixed deposit means to flow the cash in different sectors at profit motive. Investment in its broadest sense means the sacrifice of certain present value for (possibly uncertain) future value. In pure financial sense, the subsequent use of the term investment will be in the prevalent financial sense of the placing of money in the hands of other for their use, in return for a proper instrument entitling the holders to fixed income payment or the participation in expected profits. It can define the terms of investment at manufacturing and trading forms those long term expenditures that aim at increasing plant capacity of efficiency or at building up goodwill, there by producing an increased return over a period. Experts define the terms of investment from which additional are made to capital equipment. But it needs to clear the terms of investment in financial point of view as related to this study. This research focuses on the comparative study of fixed deposit of three joint venture banks; Himalayan Bank Ltd, Everest Bank Ltd and Standard chartered Bank Ltd as well as governmental bank RastriyaBanijya Bank. These four banks are compared as per their fixed deposit procedure by taking 7 years' data from the year 2015/2016 to 2019/2020.

### **1.1.1 Introduction of the Sample Banks**

As there are 27 commercial banks and as my sample banks are SCNBL, EBL, HBL and RBB so their introduction and minor information are as follows.

#### **Everest Bank Limited**

Catering to more than 10 lacks customers; Everest Bank Limited (EBL) is a name we can depend on for professionalized & efficient banking services. Founded in 1994, the Bank has been one of the leading banks of the country and has been catering its services to various segments of the society. With clients from all walks of life of Bank has helped the nation to develop corporately, agriculturally & industrially. Punjab National Bank (PNB) is joint venture partner (holding 20% equity) is one of the largest nationalized bank in India having presence virtually in all important centers. Owing to its performance during the year 2012-13, the Bank earned many laurels & accolades in recognition to its service & overall performance. As a joint venture partner, PNB has been providing top management support to EBL under Technical Service Agreement.

Everest Bank Limited provides customer-friendly service through ABBS system, which enables customers for operational transactions from any branches. The bank has 102 branches, 132 ATM Counters, 31 Revenue Collection Counters and 3 Extension Counters across the country making it a very efficient and accessible bank for its customers, anytime, anywhere.

#### **Himalayan Bank Limited**

Himalayan bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the tough competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking actives- Loans and Deposits. Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Saving Account, HBL Proprietary Card and Millionaire Deposit Scheme besides service such as ATMs and Tele- banking were first introduced by HBL. Other financial institutions in the country have been following their lead by introducing similar products and services. Therefore, they stand for the innovation that they bring about in this country to help customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector bank and extending guarantees to correspondent bank covering exposure of other local banks under their credit country's number 1 Bank easily confirms their claim.

## **Standard Chartered Bank Limited**

Standard Chartered Bank Nepal Limited has been operation in Nepal since 1987 when it was initially registered as a joint venture operation. Today, the Bank is an integral part of Standard Chartered Group having an ownership of 70.21% in the company with 29.79% shares owned by the Nepalese public. The Bank enjoys the status of the only international bank currently operating in Nepal. They are a leading international banking group with a 160 - year history in some of the world's most dynamic markets. Their heritage and values are expressed in their brand promise, Here for good. Their operations reflect their purpose, which is to drive commerce and prosperity through their unique diversity. They are present in 60 markets and serve segments in four regions- Europe & Americas and Middle East, ASEAN & South Asia, Greater China & North Asia.

With 15 points of representation, 26 ATMs across the country and more than 531 local staff. Standard Chartered Bank Nepal Limited is serving its clients and customers through an extensive domestic network. In addition, the global network of Standard Chartered Group enables the Bank to provide truly international banking services in Nepal. Standard Chartered Bank Nepal offers a full range of banking products and services to a wide range of clients and customers including individuals, mid- market local corporates, multinationals , large public- sector companies, government corporations, airlines, hotels as well as the development organizations segment comprising of embassies, aid agencies etc. The Bank has been the pioneer in introducing client- focused products and services and aspires to continue its leadership. It is the first Bank in Nepal to implement the Anti- Money Laundering policy and to apply the “Know Your Customer” procedure on all the customer accounts.

In May 2019, the Bank's new Global Community Program Strategy” Future makers by Standard Chartered” was launched in Nepal subsequent to the global launch in January 2019. This initiative focuses on empowering the next generation to learn, earn and grow. There are three pillars to the strategy: education, employability and entrepreneurship. It builds on the success of their current community programs while growing their ambition to ensure that they are reaching more young people across their markets. The Bank is also actively engaged with the communities in raising awareness around Financial Literacy Environment, Health and Education.

## **RastriyaBanijya Bank**

RastriyaBanijya bank Limited (RBBL) has a history of serving its customers far and wide across the nation for more than half century. The bank them fully owned by Government of Nepal, was established on 10 Magh 2022 under the special statute “RastriyaBanijya Bank Act 2021” and has operated under “Commercial Bank Act 2031” until it was re- registered as a public limited company on 6 Baishak 2063. At

present, the Banks operates as “A” class financial institution licensed by Nepal Rastra Bank and carries out commercial banking activities as per the provisions of the “Bank and Financial institutions Act 2073”

In recent period 2021 Rastriyabanijya bank declared that they are providing 9% interest rate for the fixed depositors. Now we can see the higher competition increasing between private sector banks and government owned banks.

## **1.2 Statement of the problem**

Availability of sufficient deposits in banking business is the same as the life blood in human body structure, because, life is impossible without blood circulation. In the same manner deposit mobilization is the primary requirement for banking business to secure their existence. Hence, attraction of more & more customers is crucial for banking business. Deposit takes the line share of liquidity management and revenue generation in banking business. Credit provisions to borrowers become possible when the amount of deposit growth is improved in line with the growth of demand for credit. Banks, the world over thrive on their ability to generate income through their lending activities. Since commercial banks depend on depositor’s money as a source of funds, it means that there are some relationship between the ability of the banks to mobilize deposits and the amount of credit granted to the customers. The cash reserve is a component of liquidity reserves which measure the ability of the bank to meet its expected withdrawals and recurring withdrawals. The withdrawals made from the reserve are oddly- offset against new deposit which the bank should continuously mobilize. The inability to get sufficient deposits could result in negative fund situation. The level of deposits growth also indicates the bank’s performance in relation to customers’ satisfaction on interest payout and service rendered (Sarada, 2009).

Fund mobilization is the important factor from the shareholder and bank management point of view. This study focused on comparative study on deposit mobilization of commercial banks (SCBN, EBL, HBL& RBB). After introducing the liberalization policy of the government, many banks and institutions are established rapidly. These days many commercial banks, development banks and financial institutions are operating their work to assist in the process of economic development in the country. Due to the high competition between the financial institutions the collected huge amount from public is comparatively lower than deposit and investment practice of collected deposit. Therefore, it raised the problem of investment and proper deposit of collected fund. Strong fund activities play a vital role in utilization of collected deposit and overall development of the economy of the nation (Anoj, 2010).

If the deposit are wrongly invested without thinking any financial risk, business risk and other related facts, the bank cannot obtain profitable return as well as it should sometime lose its principle. Deposit policy may differ from one joint venture bank to

another as well as government owned bank but there is no optimum utilization of shareholders deposit to have greater return in any bank. Nepal Rastra Bank has also played significant role to make commercial banks mobilize their deposit in good sector. For this purpose, NRB imposed many rules and regulations so that commercial banks can have sufficient liquidity and security. Though most of the joint venture banks have been successful to earn profit from deposit, none of them seem to be capable in invest their entire deposit in more profitable sectors.

Commercial banks are reported to be criticized by customer due to implementation of wrong investment policies. They are said to be investing less risky and highly liquid sector, they keep high liquid position and flow less fund in productive sectors, so these type of function prove less investment opportunity of the deposit. Sometimes they seems to be ready to invest in the idle deposit even in those investment, which have lower risk and comparatively greater profit the another problem is diversification of investment. The bank cannot achieve profitable return form their resources as well as they sometimes may lose their principle resulting in decreasing of national economy (Shrestha2020).

### **1.3 Research question**

Deposit mobilization is the most important factor from the shareholder and banks management point of view. This study is a comparative study on deposit mobilization of EBL, HBL, RBB and SCBNL. The problem related to deposit mobilization procedures of joint venture bank and government owned commercial bank of Nepal have been presented briefly as under:

- i. How sample banks collecting its deposit and mobilizing it?
- ii. What are the financial performances of selected banks?
- iii. What are the relationship between total deposit and loan and advances?
- iv. What is the impact of deposit on loan advances?

### **1.4 Objective of the study**

Banks provides both the deposit and credit services to the public. They accept the funds from the serves as deposit and lend the funds to the fund seek in the economy. Therefore, banks can run effectively and efficiently only if they can mobilize their deposits fund at their prescribed area and realize those disbursed amounts timely. In totality, the study aims to analyze how far the banks have been able to achieve these objectives. The main objective of this study is the examine deposit mobilization of Nepalese Commercial banks, the objectives are:

- i. To analyze deposit collection of sample banks.
- ii. To identify the financial performance of sample banks.

- iii. To find out the relationship between total deposit and loan and advances.
- iv. To explore the impact of deposit and loan and advances

### **1.5 Significance of the study**

The study has great contribution to deposit mobilization practice of commercial banks. It help the bank to design and implement key factors of deposit mobilization that identified by this study. The researcher investigate the factors affecting deposit mobilization and give remedial solution to management but suggesting key factors that contribute for growth of deposit and which support the bank to successfully meet its target or budget by overcoming the challenges that are identified in the study. The study benefits selected bank's shareholders, management, staff and other stakeholders that increase in deposit mobilization can satisfy the current demand for financing which contribute to increase the bank's profitability, also support economic growth of the country.

It can also be used by the management of the bank to identify factors affecting deposit mobilization that imposes improvement of deposit so that the deposits level of the banks can be as targeted or planned. Good and optimum fund mobilization policy of a bank depicts the sound health of the bank. Successfully formulation of fund mobilization policy and its effective implementation is a most in banking business. Moreover this study can serve as source of information to other researchers who will be interested to conduct further study on similar topic in future in following manner. Important to the management party of the selected banks for the evaluation of the performance of their banks & comparison with other banks. Important for the investors, customers (depositors, loan takers) and personnel of bank to take various decisions regarding deposits and loan advance. The study of deposit mobilizing policy would provide information to the management of the bank that would help to take corrective action in the field of banking activities.

### **1.6 Limitation of the Study**

The study has focused on its objective to observe the deposit mobilization position of commercial banks. As the study is more objective and is made for the fulfillment of academic requirement it's possess numbers of limitations. Some specific limitations are as follows.

1. The research work is made on the basis of latest five years' data from fiscal year 2015/2016 to 2019/2020.
2. Simple statistical and financial tools are used for the analysis.
3. Study is made mainly on the basis of secondary data only.

4. The usage of transaction period of the selected banks has been determined by the specific nature and availability of data.
5. Out of total 27 commercial bank in Nepal the present study deals with only selected banks( SCBNL,EBL,HBL & RBB)

## **1.7 Organization of the study**

This unit considers the total considerations of the research report. This report is organized on five chapters. These five chapters consider:

### **Introduction**

The first chapter includes the introduction of the study that considers the background of the study, historical development of commercial banks in Nepal, statement of the problem, significance of the study, objective of the study, limitation of the study and the organization of the study.

### **Review of the Literature**

This is the second chapter of the report. It includes the conceptual review and review of related studies. Conceptual review considers the study of books and other publications related to the concept of commercial banks, concept of deposit and concept of deposit mobilization. And the review of related studies includes the study of past studies made on the deposit related topics especially the studies related to the deposit mobilization of commercial banks.

### **Research Methodology**

This chapter contains the tools and techniques these are applied on the study. The financial and statistical tools which are used for the analysis and presentation of data are described in this chapter.

### **Presentation and analysis of data**

This is the major chapter of the study. It contains the presentation of data and analysis of the data that specify the findings of the study. Data are presented on the basis of objective of the study. This chapter contains the major findings of the study too. It helps the searcher to find out what is going on about the deposit mobilization in Nepal and selected commercial banks.



### **Summaries, Conclusion and Recommendation**

This is the last chapter of the study that contains summary of the study, conclusion of the study and some recommendations to related banks and policy makers for making the deposit mobilization position of related banks and total commercial banking system better than that is.

## CHAPTER -2

### REVIEW OF LITERATURE

This chapter is basically concerned with review of literature relevant to the topic Deposit Mobilization of commercial bank. Every study is very much based on past knowledge. The previous studies can't be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research is ensured by linking the present study with the past research studies.

Literature Review is basically a Stock Taking of available literature in one's field of research. The literature survey thus provides us with the knowledge of the status of their field of research. Therefore, this chapter has its own importance in the study (Wolff and Pant, 2000).

#### **2.1 Conceptual Review**

It is basically concerned with the theoretical part relevant to the topic.

Banks are that kind of institution, which, deal with money and substitution for money. They deal with credit instrument. Effective circulation of credit is more significant for the banks. Unsteady and uneven flow of credit harms the economic situation of the nation. Because of this, collected deposits should be invested and mobilized into the right sector. An investment of fund decides the life and death of the banks. An investment is a commitment of money that is expected to generate additional money. Every investment entails sacrifice for a future uncertain benefit (Francis, 1991).

The investment objective is to increase systematically the individual's wealth, defined as assets minus liabilities. The higher the level of the desired wealth, the higher must be the return. An investor seeking higher return must be willing to face higher level of risk (Cheney and Moses, 1991). The banks make a variety of loans to a wide variety of customers from many different purposes from purchasing automobile to constructing homes and making trade with foreign countries. There, no uniform rules can be laid down to determine the portfolio of bank. The environment in which the bank operates influences its investment policy. The nature and availability of deposit and assets also differ widely from region to region within a country or country to country. For example, the scope of operating a bank in Jumla will be different from the scope of a bank operating in Kathmandu. The investment policy to be applied in Kathmandu may not be applicable to the customer of Jumla because the demand for loans is less in rural areas whereas it is higher in urban areas (Vaidya, 1999).

Bhalla (2007) has derived a three-pointed basic concept of investment covers Economic investment that is an economics definition of investment. Investment in a more general or extended sense which is used by the man of street or ordinary people. The sense in which we are going to be very much interested namely financial investment. Banks are those institutions which accepts deposits from the public and in return provide credit to trade, business and industry that directly makes a remarkable impact on the economic development of a country. To collect deposit and collect as a good investment is a very risky job. Ad-hoc investment decision leads the bank out of the business thereby drawn the economic growth of a country. Hence, sound investment policy is another secret of a successful bank.

### **2.1.1 Concept of Commercial Bank**

A commercial bank is a financial institution which accept deposit from the public and gives loans for the purpose of consumption and investment to make profit. It can also refer to a bank, or a division of a large bank, which deals with corporations or large / middle-sized business to differentiate it from a retail bank and an investment bank. Commercial banks include private sector banks and public sector banks. The history of banking began with the first prototype banks which were the merchants of the world, who gave grain loans to farmers and traders who carried goods between cities. This was around 2000 BC in Assyria, India and Sumeria. Later, in ancient Greece and during the Roman Empire, lenders based in temples gave loans, while accepting deposits and performing the change of money. Archeology from this period in ancient China and India also shows evidence of money lending.

Many histories position the crucial historical development of a banking system to medieval and Renaissance Italy and particularly the affluent cities of Florence, Venice and Genoa. The Bardi and Peruzzi Families dominated banking in 14<sup>th</sup> century Florence, establishing branches in many other parts of Europe. The most famous Italian bank was the Medici Bank, established by Giovanni Medici in 1397. The oldest bank still in existence is Banca Monte del Paschi di Siena, headquartered in Siena, Italy, which has been operating continuously since 1472. Until the end of 2019, the oldest bank still in operation was the Banco di Napoli headquartered in Naples, Italy which had been operating since 1463.

### **2.1.2 Role of Commercial Bank in Nepal**

For all countries of the world and more so far the developing countries like Nepal, fast Economic Development is one of the most important aspects of the developmental activities. However, it is obvious that unless the development of the most important sector like agriculture, industry, trade and commerce are achieved, even development is impossible. For all the development, the regular supply of financial resources is a prerequisite. Finance is thus like fuel for providing energy to move the

tempo of economic development and financial institution naturally, serve as reservoir for supplying and controlling the stream of the fuel i.e. finance, the commercial banks which are the financial institutions dealing with activities of agriculture industry, trade and commerce play the most important role for the business activities of the world. The objectives of the commercial banks are to mobilize the idle resources in productive uses collecting them from scattered and various sources. Its role in economic development is thus immense in order to bring out greater mobility of resources to meet the ever increasing needs of financing or the various economic activities.

These institutions are now trying best to contribute more and more services and facilities for the enlistment of national economy. They have become the core of financial system by holding the deposits of millions of people, government and business units. Thus from their deposits, they make fund available through their lending and investing activities to different borrower like individuals, business firms and even to the government. They ultimately facilitate the flow of goods and services from producers to customers and to the financial activities of the government. It is quite clear that commercial banks are the most important institutions of capital formation that imply mainly saving, investment and productions which ultimately lead to the economic development of a country.

The role of commercial banking in the economy is obviously a prime prerequisite for the formulations of the bank policy as the role shapes, the nature and character of the bank. The deposit minded bankers may overstress conservation liquidity while the loan minded banker may under emphasize safety. Often Commercial Bank performs a number of interrelated functions. There are not only the custodians of the community's money but the suppliers of its liquidity. For these banks customers who seldom borrow money from the bank an important function may be the acceptance and safe keeping of deposits. But those customers who often take loans from the bank, the credit creation function may be the most important. The commercial bank is different from the other banks especially from central bank. In appearance the main distinction between central bank and a commercial bank is the now-a-days the central bank does not do much banking, but the more fundamental difference in one of aim. The main objective of the commercial bank is to make profit where as the central bank thinks of the effects of its operations on the working of the economic system. The commercial bank has the shareholders and is expected to do the best it can for them but the central bank by contrast is usually owned by the government. The commercial bank may be few or many and they are to be found business with the general public all over the country. But, there is only one central bank in each country. Its market operations are mainly impersonal and are confined to what is necessary for influencing the country's financial business in the directions citrated by economic policy (Sayers, 1972:17-18).

Commercial Banks are those banks that are engaged in commercial banking transactions and exclude from this description such banks are established for

achieving certain specific goals such as co-operatives, agricultural and industrial banks, much wider activities in relation to the economic development of the country have been empowered to the banks. Apart from strictly performing commercial functions, commercial banks so described in the act are empowered to perform such functions as the undertaking of agency business. In the issue of shares and debentures for public corporations guaranteeing and underwriting foreign exchange business under the restrictions imposed by foreign exchange act, rules, order and notifications; advancing loans for period not exceeding one year against the security of jewelers, gold and silver ornaments or gold and silver bullion or against the mortgage of land and buildings, for acquiring plant and machinery; and receiving deposits of government money according to the order of Government in those places where there are no branches of the NRB or NBL or where the NRB gives its consent to remit through bills of exchange and cheques in Nepal and foreign countries and so on (Pant, 1980:118).

Nepal has been facing the problem of accelerating the pace of economic development. In this respect the role of commercial bank in the country is vital. The commercial banking system in Nepal is still in its infant stage as compared to other development countries. However, their important role in the economic development of the country has been fully realized and these banks are being oriented in their activities best suited for the overall economic development. Today, there are 17 commercial banks are in operation. Among these Nepal Bank Ltd is the oldest one established in 1937 A.D. These banks though not as modern as those of developed countries in their service and management's, the role they are performing for Nepal's overall economic development cannot be underestimated. They have been performing a leading role to the best of their capacity in the promotion of Agriculture, Industry, Trade and commerce etc.

Nepal being an underdeveloped country, its industries, agriculture sector, trade and commerce are still in a state of infancy. Their development greatly depends upon the effective role of commercial banks. The insufficiency of capital for the establishment of the industries, modernization in agriculture etc. has become a serious problem for economic development in Nepal. Presently, the contribution of commercial banks in agriculture sectors has been expanding. It provides the credit facilities for the development of agriculture in cases where agricultural development banks and cooperative societies do not enter into the field. The agriculture sector needs more and more capital for the improved methods of farming viz. the fertilizers, equipment, irrigation facilities etc. require obviously more investment. Thus role of commercial bank in promoting agriculture sector is increasing in many of other boundaries, especially in developing countries like Nepal.

The economy of our country is dominated by agricultural sector. This could be exemplified from the figures that about 76 percent of the total population is engaged in agriculture and about 40 percent of the national income comes from the agriculture. Similarly, about 51% of the export trade is in agricultural product. Also if we take

into account of the major industries of Nepal, they are mainly based on agriculture sector is most urgent and indispensable for strengthening the base of national economic structure. Nepal being an under developed country, majority of the farmers in the villages are very poor. They do not have the sufficient capital to invest in this sector. The commercial bank has an important role to play here by helping the agriculture sector through two channels:

By providing fixed capital to Agricultural Development Bank by purchasing its shares of debentures. By giving direct credit facility to the farmers on the mortgage of their land, house, food grains and other cash crops like jute, tobacco etc. As the agricultural development needs capital, the commercial banks are helping by providing financial help to the farmers and they are able to invest or utilize the fund in different ways that make them increase agricultural product. Thus in order to accelerate the tempo of economic development of Nepal, the government and the commercial banks should play crucial role in the agriculture sector of the economy. Thus, the sound development and wide geographical coverage of commercial banks particularly in agriculture is a prerequisite for accelerated and sustained economic growth. In recent years even though the commercial banks have made rapid progress in mobilizing financial resources they are still insufficient in their lending policies. The lending policies of Nepalese commercial banks resemble more closely to those of the 19<sup>th</sup> century London banks than 21<sup>st</sup> century developing institutions. In a way, it would see apparent that the accelerated private sector investment is dependent on the commercial banks giving more emphasis in medium and long term credit for equipment and constructions and more liberal policy on the requests of collateral. In these respects, in recent years the NBL has been doing some useful services with its development oriented approach but it goes without saying that there is a long way to go to this particular field.

Thus commercial banks in Nepal have been helping farmers by providing different facilities in Nepal. These helps are in the fields of cultivation, exporting rice, jute, paddy etc. and providing facilities regarding better market for their product helping to start livestock, poultry firm, rice mills, animal husbandry, bee firm etc. and also provide the guidance for them.

The role of commercial bank is indispensable for industrial development of Nepal. Due to insufficiency of capital, industries are depending more and more upon the supply of capital by the banks. It would not be exaggeration to state that commercial banks are mainly responsible for whatever the industrial development has been achieved by Nepal. However many other financial institutions like ADB/N, NIDC have already been established for the development of agricultural and industrial sector of the country? The commercial banks are also continuously participating in these activities. Being a mountainous country, many places are very remote and sometimes it requires many weeks to approach some of the places. Due to lack of transport and communication facilities and other geographical causes, the country has been still facing the problem of imbalances economic growth. The scattered capital of the country is unable to solve the problem of imbalance of the economy growth.

Commercial banks have their appropriate role to play here by expanding their branches in the different hilly and terrain regions availing loan to the local people. In industrial sector, commercial banks are providing the necessary financial help for the industrial establishment in the country. They provide short and medium term loan to industries to purchase machineries, tools, raw materials etc. and to introduce new and developed techniques of production.

Without the development of foreign trade, economic development of a country will not be possible. Nepal has focused its trade with India and Tibet only few years ago. Today, Nepal's trade has extended with different countries of the world. Commercial banks has promoted the domestic and foreign trade of Nepal by spreading their branches all over the country and extending close relations with many renowned important by providing them facilities of BD, LC, OBD, TT etc.

Commercial banks are also helping for the development of transport by providing funds for transport industry. Similarly, banks are playing important role in tourism industries by helping to expand hotels facilities, dealing with foreign exchange and accepting traveler cheque from the tourists.

So, the role of commercial banks is extremely important for the development of industries, trade, commerce, agriculture etc. of the country. In fact, no nation can develop itself without the development of these banks. It is not only true in the capitalist countries but also true in the socialist countries and the mixed economic countries like Nepal as well.

### **2.1.3 Function of Commercial Bank in Nepal**

Commercial Banks deserve their role in more portions to conduct their system. There are many function of the commercial bank which if furnished below.

#### **Primary function:**

##### Accepting the deposit:

It deals with the collection of deposit which is its first function. The banks also do not have the entire amount as it also collects the amounts for further purpose. The amount collected is deposited into their personal accounts by giving guarantees.

In today time, a person does not want to keep the huger amount in their pocket or in their cupboard because of much offending expectations. People do not want to see anyone success and stepping upward. Commercial banks provide the trust to them and convince to deposit their amount in daily, monthly and weekly basis however you get easy. The amount is deposited into three accounts having three objectives and three features. Fixed account, Current account and saving account. All the account has different features. Bank provides the interest of their depositing amount according to the account.

Fixed account get high rate of interest than other, then saving account and current account. The current account has not any barriers of depositing and withdrawing of the amount because banks do not provide them interest in high portion. But in a fixed account, there are barriers of time for withdrawing the deposited amount according to an agreement because it provides you a large percentage of interest. Many people earn and deposit their amount portion in their personal account according their earning portion.

### Providing loans

The next function of commercial banks is providing the loans to needy people. It provides the loans to businessman, merchant, farmers and other too who demands. As the bank collects the deposit, they are invested as loans into the market to gain profit. The difference between the interest rate that they pay in depositing amount and providing loans amount is taken as the profit of bank including all the expenses. Loans are also provided in term wise that is short term, medium term loan and long-term loan.

The term of the loan is classified according to the amount that he takes a loan. When there is bound made for paying the loan within or less than one year then it is taken as a short-term loan. If the contraction is done for paying the loan in less than 3 years then it is medium loans. Its loan amount is higher than a short-term loan. And the high terms loan is repaid in and above 5 years. The amount and portion of loan define the period of time for repayment. Mostly the industrialist and merchant take the long-term loan because of their large network business and the short-term loan is taken by a small businessman

Where the short-term loan is mostly taken by Macro industrialist, farmers, and handicraft industries. The loan is given on the base of mortgage. The mortgage is evaluated first and then only on the base of it, the loan is provided. Mostly it is estimated that the bank provides only 40% of the loan after evaluating the value of assets for giving mortgage loan. The loan is given after the analysis of property of loan taken taking some days for analyzing.

## **Secondary functions**

### Overdraft facilities

It means that some of eth trusted customers are given the facilities of withdrawing the amount more than deposited amount in their account. The facilities are given only to reliable customers who are doing their transaction for a long time. This facility is not given of long-term, it the facilities of short time provided in case of urgency. After giving these services, bank charges some interest and even deduct from the account holder's account after taking these services. These facilities decrease the problems and hazard of money to the customer for some period of time to get rid of that critical situation.



### Bills of exchange

This is also one of the honorable services which banks always look in active mode to help the coming customers. Bills of exchange are even done before its maturity period to make easy communication and transaction with the customer. Bank retakes the amount from the party who had accepted the bills of exchange. Bank pays the stipulated amount of bills to the holder after deducting some of the commission for giving services. It is the services of reducing the mental burden of the customer. Moreover, bills of exchange are referred as promising bills where the promise is made to pay the amount of money after some period of time or maybe in demands or according to the instruction and agreement that the bills expose.

### Agency functions

This is also one of the measure function of commercial banks which is taken as the major strength of the commercial banks. This services gives the easiness and do not let them tension and or dragged into the maze. After paying these services to the customer, the bank charges some amount as a commission from their customer or clients. Some of the major agency functions are:

### Remittances

This the major function of sending and receiving the money form the third part from far distances. There are many clients who receive the money from the foreign country and even some sent it to from domestic country. Transfer and receipt of money from one country to another country and even in native lands from places is called remittance. Moreover, the banks provided the services of transferring the fund directly into respective person's accounts by the different medium like drafts, mail transfer and so on.

### Acceptance and payment of different items

Its main function also deals with the collecting of many bills like cheque, dividends, bills other periodical receipts, rents, exchange bills, discounting bills, offers letter, etc. on the request and instruction of customer. The customer also wants to solve all extra problems with the help of the bank if possible.

To deals with that, the bank provides the services of paying the electricity bills, telecommunication bills, recharge, insurance premium and other taxes on behalf of the customer request and instructions.

### Purchase and sales of securities

Commercial banks also solve the problems of buying and selling stocks, shares, debentures. Most of the organizations do their transaction through commercial banks for reliable trust. Both private and government sector do their works of buying and selling of stocks, shares and different papers by the bridges of commercial bank for making trustable transaction having proof. When some of any private or governmental organizations have the necessity of equity of capital, then they use the road of commercial banks by announcing the number of shares giving the instruction of paying the amount through commercials banks.

### Services of foreign exchange

The rate of foreign currency and the domestic currency is determined by the Nepal Rastra bank but it transacted through some other banks. When people from foreign come to Nepal, they have to change their money into Nepalese money at that time they use the commercial bank for exchanging the money. Commercial banks convert their money into Nepalese money for making their visit and landing in Nepal easily. Commercial banks also charge as a commission after giving these services too.

### Trustee and Executor

Commercial banks are also taken as a friend of the customer because they do not keep anything confidential which will harm the customer rights. Commercial banks do their duty very neatly and as trustee. When people make some mistakes, they are even taught and make them understand the relevant issues. In the same case, when the person gets out of contact and transaction for a long time, what types of account are checked and informed for keeping it in active mode. If the account is not transacted for six months, they become passive. Moreover, when some account holder dies, the amount in their account is given to the beneficiary person whom he or she has referred.

### Acts as a tax consultant

Commercial banks also give the consultation to their reliable customer and mostly to great trader who deals with large transaction about tax payment and process of doing it neatly and cleverly. It provides the instruction, advice, process and law relating to it to makes the clients more clear about the policy.

### Letter of reference

This is also the additional function of commercial banks that it facilitated with. Banks provide information about their amount that is in their account that is in their account even from direct or indirect contact. Bank has started the new model's services for making the customer satisfied and protecting them. For making these services more better, now the bank has operated its services in SMS mode. The customers get a notification through the message of their deposited and withdrawn amount after the transaction. This service is also taken as the pleasuring servicing to get connected and informed about the amount of account.

### **Utility functions**

#### Locker facilities

The commercial bank also provides locker facility to their reliable and good character customers. Most people do not want to keep expensive jewelry, ornament and valuable articles or papers at home considering security purposes. The customer wants to keep it all safe places. Bank is the most secure place to keep all the things safely in lockers. The customer provides their personal locker and their key where they keep all their valuable materials. For these services also, they charge the commission. Banks also provide the loan on the base of gold. In that case, also the customer uses this locker services.

### Traveler cheque

By keeping the consideration of customer safety in the journey, the bank is providing the traveler cheque for safe journey many times we have faced with unexpected problems because of cash loot or theft, pickpocketing. These kinds of crimes are normally happening with the customer during their long journey. And this issue makes them irritating and sad in their journey due to the empty wallet and an empty pocket. So commercial banks provided traveler cheques as a card that avoids the tension of carrying the cash in the pocket which arises the mental pressure throughout the journey.

### Letter of credit

This is also the more effective function of customers in which banks work as the mediator of paying the amount to the third party after giving instruction as a letter of credit. Bank pays the amount to the third party after the agreement and instruction of account holder. This is mostly done to communicate with foreign trade. The foreign trader is paid money directly by the bank by standing as a guarantee on behalf of the first party.

### Underwriting the securities

Due to having the largest network and reputed image in the nation by their size and services, it is also taken as a reliable and faithful financial institution. Securities are announced by its medium because of the public or common people mostly belief on it.

### Creation of money

Commercial banks collect the money from large groups mostly from commerce, industrialist and provide them loans. The difference between the deposits made by them and the loan taken by the large gap. People commonly deposit the small amount of money into their account but takes the huge amount form the money after depositing the money of many people, it forms a large amount of cash which is used to provide loans to a needy person. This is also the way of creating money by various deposits.

### ATM banking

Commercial banks are also famous for giving these services in places to places mostly in crowd area and emergency area like Hospital, Supermarket, Mall, etc. Nowadays the youth are updating themselves with a change of technology and time. People of today also want to make their work terminated within a few time because of their busyness. They do not want to stand in a queue in banks of withdrawing and depositing the amount. Thus, banks provided the ATM card to the customer who demands it and charge some amount annually.

### Master card

This is also the invisible function of commercial banks because this service is taken by few people only mostly by the VIP person. The richest person or great

businessman who makes traveling around the world and another country mostly keep it in their wallet.

Master card is also called the international card which is used for withdrawing the money from a bank or ATM anywhere without limits of the territory. Normally, it is also called a universal card because we can use it anywhere, the giving kind of services upgrade the value and increase the appreciation of commercial banks. Instead of giving these services, banks charge some money as commission. Master card provides the license for using this card anywhere in the world for their easiness. More withdrawing the more money anywhere in the world, there must be the amount in the account.

### Internet banking

It is also the function of commercial banks which develops the trust of the customer without reaching to offices. Nowadays a person is busier and wants to compete for their task by sitting on the chair. That is why the bank is trying to give more and more standard and dynamite services for protecting the customer and keeping in touch. Customer also runs to that institution who transform their bunches of works into small or easier.

Internet banking is such services which reduce the pressure of sending money to anyone departing to the offices. A person can send their money to anyone account directly by self and also know about the personal amount and account details. This service increases the happiness of customer because of their self-control of account. They can view their account anytime and know about the transaction for these services, the customer has to notice and requests to provide it. Instead of taking these services, banks also charge very few amounts and even some do not charge. It is operated and can be conducted only if the connection is linked with an internet browser.

### Treasury bill

It is also colloquially called T-bills which is one of the major instrument to makes the economic condition of the nation stable. T-bills are announced by the government for collecting the money when there occurs the crisis in the economy.

By the via of T-bills, government collect a huge amount from the public of the country and invest in the different sector for balance the condition. T-bills are also taken as the short-term loan taken by the government. It is mostly announced at the time critical situation even government have no anyway and have not money in hands.

Government borrows from the public and again returns it with interest. It has a period of six months and can be exceeded to one year but not more than that. When the government announces the T-bills, public invest their amount indirectly through the commercial banks for belief and trust. Public care gave the draft as proof of payment. They return the amount with interest in calculating their period of time used by the government. But the government gives very few interest rates.

### **2.1.5 Resources of commercial banks**

Commercial Banks have mainly three sources for their advancing. They are follows:

Capital: So far as the capital fund its concerned, it is only a nominal source. Therefore it cannot be used for investment purposes. This capital fund consists of two elements: Paid up capital and General reserve.

Deposit: Deposits are the main resources of commercial banks for advancing loans. Deposits are received from different forms and accounts. There are mainly three types of deposits: Current, Saving and Fixed. In a developing country like Nepal, where the majority of the people are still poor, saving deposits have played a significant role for the development of the country. Therefore, the main source of raising capital is that of deposit. Ronald (1962) rightly says “The deposits function of the banker is important because it has to aggregate small sums of money lying scattered here and there twenties, fifties and hundreds. Singly these sums have no economic efficiency what so ever but they can accomplish Herculean tasks when they are aggregate and employed by the banker” (p. 20).

Internal and external borrowing: Internal and external borrowing are very important for a developing country like Nepal being an underdeveloped country; commercial banks alone cannot fulfill the necessities of the society. Therefore commercial banks are allowed to borrow from both two sources External and Internal. Generally External borrowing means the borrowing from foreign bank, foreign government; International Bank for Reconstruction and Development (IBRD), International Monetary Fund (IMF) etc. Internally, commercial banks can borrow from only one source that is from NRB.

### **2.1.6 Deposit and its type**

Deposit is the most important source of the liquidity for every commercial bank. For financial strength of banks, it is treated as a barometer. A deposit is the lifeblood of the commercial banks. Even though, they constitute the great bulk of bank liabilities, the success of a bank greatly depends upon the extent to which it may attract more and more deposits. For accounting and analyzing purpose, deposits are categorized in three headings. They are:

#### Current Deposit

It is also known as demand deposit. A customer can open a current account with a bank by making an initial of Rs.100. Any amount may be deposited in this account. The bank makes a small charge on the customer having current deposit account.

### Saving Deposit

In this deposit, there are restriction on the maximum amount that can be deposited and also withdrawals from the account. The bank may not permit more than one or two withdrawals during week.

### Fixed deposit

A fixed deposit is one where a customer is required to keep a fixed amount with the bank for specific periods. He is not allowed to withdraw amount before expiry of the period. The rate of interest is higher than on other deposit account. During this period the bank is free to make use this money for granting loans and advances.

## **2.1.7 Credit Creation by commercial Banks**

The creation of credits or deposits is one of the most important functions of commercial banks. Bankers are dealers of money who deal others people's money. Banks generate profits by accepting cash through demand deposits and advance loan on credit to customers. When a bank advances a loan, it does not pay the amount in cash. But it opens a current account in his name and allows him to withdraw the required sum by cheques. But very often, the customer retains certain amount with the bank in a deposit. In this way, the bank creates credit or deposits. The process is explained below how the credit is created by the help of deposits.

In the modern banking industry, actual cash withdrawals from the deposit are very negligible. The bank usually synchronizes the withdrawals and deposits from their past experience. Thus a bank lends a large part of the money it receives in deposits. If the bank has more primary deposit, he can lend more keeping small cash in reserve for day to day transactions. The bank knows that the customer will withdraw money by cheques which will be deposited by his creditors in the same bank or some other bank where they have their accounts. Such cheques which are deposited in other banks are settled through clearing house. The same procedure is follows in other banks and is settled through clearing house. The same procedure is follows in other banks. In this way, the bank is able to create credit or deposits by keeping small cash in reserves and lending the remaining amount. Therefore, the loans make an increase in the total amount of deposits. These deposits are called derived deposits.

On the other hand, when a bank advances money by discounting a bill of exchange, the proceeds of the bill are credited to the customer's account. The deposits of the customers will then increase. More deposits can make more lending by banks. This is also one of the ways of creating credit. We know that the bank provides overdraft facility to a customer on the basis of some security. The bank enters the amount of the overdraft in the existing account of the customer and the customer is allowed to overdraw his account up to the fixed limit subject to the condition that the amount overdrawn from time to time is more than fully covered by the market value of the securities lodged with the bank. The amount may be used to buy goods and services.

He can make payment by issuing cheques in settlement of his transactions. This process gives the bank an additional supply of money which did not exist before.

A bank also creates a deposit by making investments by buying government bonds and securities. The bank pays for the bond through a cheque on itself to the central bank. If it buys such security from others, it creates the amount in the account of the seller, provided he is the bank's customer. Otherwise it pays by cheque which is deposited in some other bank. In all such cases, liabilities and assets in the banking system on the whole are increased. Thus loans by banks create deposits or credit is created by banks (Vaidya, 2001:42-44).

### **2.1.8 Deposits Mobilization**

“Collecting scattered small amount of capital through different Medias & investing the deposited fund in productive sector with a view to increase the income of the depositor is meant deposit mobilization. In the other words, investing the collecting fund in the productive sectors & increasing the income of the depositor, it also supports to increase the saving through the investment of increased extra amount”. When we discuss about Deposit Mobilization, “we are concerned with increasing the income of the low income group of people & to make them able to save more & to invest again the collected amount in the development activities. The main objective of Deposit Mobilization is to convert idle saving into active saving”.

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words,  $\text{Saving} = \text{Total income} - \text{total expenditure}$ . Basically saving can be divided into two parts: Voluntary saving & Compulsory Savings. Amount deposited in different accounts of Commercial Bank, investment in government securities are some examples of voluntary saving. A commercial bank collects deposit through different accounts like fixed, saving & current. In developing countries there is always shortage of the capital for the development activities. There is need of development in all sectors. It is not possible to handle & develop all the sectors by the government alone at a time, Private people also can not undertake large business because the per capita income of the people is very low while their propensity consumes is very high. Due to the low income their saving is very low and capital formation is also very low. So their saving is not sufficient for carrying on development work.

To achieve the higher rate of growth and per capita income, economic development should be accelerated. “Economic development may be defined in a very broad sense as a process of raising income per head through the accumulation of capital but how capital can be accumulation in the development countries there are two ways one from the external and other from the internal sources. In the first gap foreign Aid, Loans and grants are the main. While in the later, financial institution operating with in the country, play in a dominant role. In the context of Nepal, commercial bank is the main financial institution which can play very important role in the resource

mobilization for the economic development in the country. Trade, industry, agriculture and commerce should be developed for the economic development.

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

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

The amount of saving of a typical household in Nepal is a small because the people have limited opportunities for investment. They prefer "to spend saving on commodities rather than on financial assets. These restricts the process of financial intermediation, which might otherwise bring such as reduction of investment risk and increase in liquidity when capital is highly mobile internally, saving from abroad can also finance the investment needed at home. When capital is not mobile internally, saving from abroad will limit investment at home.

Insurance of bank deposits, creation of proper atmosphere can increase deposits and the development of severity of capital markets with the helps of banks will prove effective in mobilizing the available floating resources in the country. Capital formation is possible through collecting scattered unproductive and small saving from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important sources of capital formation. Banking transaction refers to the acceptance of deposits from the people for granting loan and advances, and returning the accepted deposit at demand or after the expiry of a certain period. According to banking rules and regulations, this definition clearly states that Deposit mobilization is the starting point of banking transactions.

Banking activities can be increase as much as we can mobilize the accumulated deposit effectively. Deposit, such as current, saving and fixed are the main part of the working Capital. it is due to this reason that banks keep their deposit mobilization campaign always in full swing taking resort every possible means laying at their deposal. "A Commercial bank changes the scattered unproductive small saving into



Lon able & active savings. The bank not only collect saving, but also it provides incentives to the saver & help them to be able to save more”. Commercial banks are set up with a view to mobilize national resources. The first condition of National Economic Development is to be able to collect more & more deposit. In this context, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization.

#### **2.1.8.1 Need for Deposits Mobilization**

The following are some reasons for why Deposit Mobilization is needed in a developing country like Nepal. Workshop report “Deposit Mobilization why & how” Group “A” states the following points as the need for deposit mobilization. Capital is needed for the development of any sector of the country. The objective of Deposit Mobilization is to collect the scattered capital in different forms within the country.

It is much more important to canalize the collected deposit in the priority sector of a country. In our developing country’s we have to promote our business & other sectors by investing the accumulated capital towards productive sectors. The need of deposit mobilization is felt to control unnecessary expenditure. If there is no saving, the extra money that the people have, can flow forwards buying unnecessary & luxury goods. So, the government also should help to collect more deposit, steeping legal procedures to control unnecessary expenditures.

Commercial banks are playing a vital role for National Development. Deposit mobilization is necessary to increase their activities. Commercial banks are granting loan not only in productive sectors, but also in other sectors like food grains, gold & silver etc. though these loans are traditional in nature & are not helpful to increase productivity, but it helps, to some extent, to mobilize bank deposit. To increase saving is to mobilize deposit. It is because if the production of agricultural & industrial products increases, it gives additional income, which helps to save more, & ultimately it plays a good role in deposit mobilization. Deposit mobilization plays a vital role for the economic development of an under developed & developing country, rather than developed one. it is because, a developed country does not feel the need of deposit mobilization for Under Developed Country (UDC) & developing country.

Deposit mobilization plays a great role in such countries. Low National Income, Low per Capita Income, lack of technical know, vicious cycle of poverty, lack of irrigation & fertilizer, pressure of population increase, geographical condition etc. are the main problem of Economic Development of an UDC like Nepal. So far the developments of these sectors concerned, there is needs of more capital. Again, instead of the development of a particular sector, the development of every sector should go side by side. So, the development process of these sectors on one side & to accumulate the scattered & unproductive sectors deposit on the other is the felt need of an UDC. We can take this in our country’s present context.

### **2.1.8.2 Advantages of Deposit Mobilization**

Following points as the advantages of deposit mobilization:

#### **i) Circulation of Idle Money**

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

#### **ii) To Support Fiscal and Monetary Policy**

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

#### **iii) To Promote Cottage Industries**

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

#### **iv) Formation of Capital**

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

#### **v) Development of Banking Habit**

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

#### **vi) To Check up Miss Utilization of Money**

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

### **vii) To Support Government Development Project**

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

### **vii) Co-ordination between Different Sectors**

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

### **viii) Others**

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

## **2.2 Empirical review**

### **2.2.1 Review of published studies**

In this subject, effort has been made to examine and review some of the related articles published in different economic journals, Bulletin of World Bank, dissertation papers, newspapers, researchers view and finding towards fixed deposit and other related books.

Shrestha (2014) has concluded that the credit deposit ratio would be 51.30%, other things remaining the same in Nepal, which was the lowest under the period of review. Therefore, he had strongly recommended that the joint venture banks should try to give more credit entering new field as far as possible, otherwise, they might not be able to absorb even the total expenses.

Shrestha (2015) has found in the following issues, in case of investors having lower income, portfolio management may be limited to small saving incomes. However, on the other hand, portfolio management means to invest fixed in various schemes of mutual fixed like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important both for individual as well as for institutional investors. In order to prepare structure and modus operandi of effective portfolio management, Shrestha has presented the following approaches to be adopted.

To find out the investing assets (generally securities) having scope for better returns depending upon individual characteristics like age, health, need deposition, liquidity and tax liquidity etc.

To find out the risk of securities depending upon the attitude of investor towards risks. To develop alternative investment strategies for selecting a better portfolio this will ensure a trade-off between risk and return so as to attain the primary objective of wealth maximization at lowest risk. To identify variety of securities for investment to refuse volatility of returns and risk.

Bajracharya (2016) has concluded the deposit of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy. Researcher has explained that commercial banks only can play an important role to mobilize the national saving. Now days other financial institutions like finance companies, cooperative societies have been established actively to mobilize deposits in the proper sectors so that return can be ensured from the investment.

Sharma (2017) has same results that all the commercial banks are establishing and operating in urban areas, in this study. Researcher further concluded that due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and on personal guarantee, whose negative side effects would show colors only after four or five years. Private commercial banks have mushroomed only in urban areas where large volume of banking transaction and activities are possible.

Pradhan (2018) has done a research for which he carried out a survey of 78 enterprises. Through his research entitled, Financial Management Practices in Nepal, he found some of the major features of the Nepalese financial management. According to him most important one appeared to be maintaining good relation with stockholder. The finding reveals that banks and retained earnings are most widely used financing sources. Most enterprises do not borrow from one bank only and they do switch between banks to banks whichever offers best interest rates. Most enterprises find that one year are more popular in public sector where as banks loan of 1-5 years are more popular in private sector. In period of light money, the majority of private sector enterprises fell that bank will treat all firms equally while public sector does not feel so. Similarly, he concluded that the majority of enterprises in traded sector find that bank's interest rate is just right while the majority of non- traded sector find that the sum is one higher side.

### **2.2.2 Review of unpublished thesis report**

Before this study, various studies regarding the various aspects of commercial banks such as fixed deposit mobilizing policy, financial performance, and investment policy, lending policy, interest rate structure, resources deposit and capital structure have

been conducted in several thesis works. Some of them, which are relevant for this study, are presented below:

Roy (2014) has conducted the study with the main objective of evaluating liquidity activity & profitability ratio of RBB in comparison with NBL & industry average by using different financial ratios as well as to use trend analysis to compare loan and advances, total investment, total deposits and net profit of RBB and compare the same with others two. From this research, he found that RBB has good deposit collections, enough loan and advances and small investment in government securities. The assets management ratio of RBB is not better than that of NBL. The profitability position of RBB is worse in comparison with NBL due to low return on working fixed deposit, loans and advances and outside assets.

Poudyal (2014) has conducted the study that entitled with objectives of analyzing the repayment position of the priority sectors. In addition, to find trends of priority sectors loan by using trend analysis method from this research, he conducted that the procedure of loan sanction is rather slow and clumsy. Moreover, bank was not able to fulfill the proposed target of corresponding loan to the priority sector.

Karki (2014) has conducted study with the objectives of finding out the relationship between deposit, loans & advances, total investment, net profit as well as analyzing the effectiveness of deposit of RBB, Lahan branch and to analyze the deposit projection for next five years of RBB, Lahan branch by using graphical methods. From this research, he found that interest rate has not influenced the deposit collection as well as lending sector of the banks. Due to the lengthy lending, the credit experience is unsatisfactory. The procedure of loan granting is very slow and time consuming; the bank has good deposit collection, enough loan and small investment in securities.

Subedi (2014) has conducted the study during the period from 1996 to 2000. The main objectives of the study were to compare investment policies of the sampled bank as well as analyze the deposit utilization and its projection for next five years of HBL & EBL. And find out relationship between total investment, deposit and loans & advances, net profit and outside assets and to compare them. He outlined his major findings as follows:

The mean of total loans and advances to total saving deposits ratio of EBL is greater than that of HBL and the coefficient of variation between the ratios of HBL is less than EBL. It means at the variability of the ratios of HBL, is more uniform than EBL. The analysis found that EBL is more employing its saving deposits in term of loans and advances than that of HBL. So , loans and advances to total saving deposits ratio appear better in EBL than HBL.

The mean ratio of total investment to total deposits of EBL is significantly greater than that of HBL but the coefficient of variance between the ratios of HBL is less than EBL. It means that the variability of the ratio of HBL is more consistent than that of EBL. According to analysis, it is found that EBL is more successful in utilizing its resources on investment. However, he failed to give his overall conclusion regarding the superiority of the financial performance of these two banks during the period of his study.

Shahi (2014) has conducted the study with the main objectives to evaluate the liquidity, assets management, efficiency, profitability, and risk position of Nepal Bank Ltd. As well as to discuss fixed deposit & investment policy of Nepal Bank Ltd. With respect to its financial position and performance in comparison to joint venture bank by using different financial ratios, the finding of the study are liquidity position of NBL is comparatively better than that of joint venture banks. Highly fluctuating liquidity position shows that the bank has not formulated any stable policy. It can also be concluded that NBL has more portion of current assets as loan and advances but less portion or investment on government securities.

Shrestha (2015) has conducted the study with the main objectives of the study were comparing investment policy of concerned banks, discussing about the fixed deposits of the sampled bank, finding out empirical relationship between total investment with deposit, loans & advances and net profit and outside assets. The other objectives were comparing and analyzing the deposit utilization with its projection to next five years of SCBNL and NABIL by using different statistical tools and sources & uses of fixed deposit. He has concluded with the study that both have good deposit collection. NABIL has the highest cash and bank balanced to total deposit, cash and bank balance to current ratio. This makes the bank to be in good position to meet the daily cash requirement as well as SCBNL has successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of total working fixed deposit in investment on government on share and debentures of other companies.

Joshi (2015) has conducted the study with objectives of comparing investment policy of concerned banks, discussing about the fixed deposit of the sampled bank and finding out empirical relationship between total investment, deposit and loans & advances and net profit and outside assets and comparing them by using different financial ratios. From this research, he concluded that both have good deposit collection. EBL has the highest cash and bank balance to total deposit, cash and bank balance to current ratio. This makes the bank to be in good position to meet the daily cash requirement. SCBNL has successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of total working fixed deposit in investment on government on share and debenture of other companies.

TerefeKaba(2019) has conducted the study with the main objective to determine the effect of advertising and publicity, effect of bank branch, effect of exchange rate, inflation, loan and advances, money supply and nominal gross domestic product on CB's deposit growth. The secondary data were used for the analysis. The ratio scale was used to measure the independent variables and the dependent variables. The result of the study shows that none of the CLRM assumptions was violated. The regression results shows the change in branch, exchange rate, loan and advances, and nominal GDP have positive and statistically significant effect on the banks' deposit growth, as well as advertising and publicity has positive but statistically insignificant effect on banks' deposit growth. In other side average annual inflation rate and change in money supply have negative but statistically significant effect on the bank deposit growth.

Shrestha(2020) has conducted study with the main objective to determine impact of deposit on performance of banks. Only the fixed deposit aspects were analyzed in her thesis. Other performances of the organization were fully neglected. The sample banks were EBL, HBL and NIBL. The study was under secondary data. Financial tools and statistical tools were used for the find out the result. The finding shows that the NIBL has the better liquidity position; EBL is comparatively successful to invest in productive sectors and has mobilized its collected deposit to provide loan and advances. HBL is better in investment on share and debenture to total working fund, NIBL is better in return on total working fixed deposit. The growth ratio of deposit, loan and advances and net profit EBL holds better position. In the side of growth in investment NIBL seems more better than EBL and HBL.

### 2.2.3 Literature review Matrix

1	Shrestha R.	2014	The credit deposit ratio would be 51.30%, other things remaining the same in Nepal, which was the lowest under the period of review. Therefore he had strongly recommended that the joint venture banks should try to give more credit entering new field as far as possible, otherwise, they might not be able to absorb even the total expenses.
2	Shrestha R.L.	2015	The issues, in case of investors having lower income, portfolio management may be limited to small saving incomes. However, on the other hand, portfolio management means to invest fixed in various schemes of mutual fixed like deposits, shares and debentures for the investors with surplus income. Therefore, portfolio management becomes very important both for individual as well as for institutional investors.

3	Bajracharya B.B	2016	Study concluded the deposit of domestic saving is one of the prime objectives of monetary policy in Nepal. For this purpose, commercial banks stood as the active and vital financial intermediary for generating resources in form of deposit of the investors in different aspects of the economy.
4	Roy J.	2014	From this research, he found that RBB has good deposit collections, enough loan and advances and small investment in government securities. The assets management ratio of RBB is not better than that of NBL. The profitability position of RBB is worse in comparison with NBL due to low return on working fixed deposit, loans and advances and outside assets.
5	Poudyal R.	2014	This research, he conducted that the procedure of loan sanction is rather slow and clumsy. Moreover, bank was not able to fulfill the proposed target of corresponding loan to the priority sector.
6	Subedi K.	2014	The findings of this study was mean of total loans and advances to total saving deposits ratio of EBL is greater than that of HBL and the coefficient of variation between the ratios of HBL is less than EBL. It means at the variability of the ratios of HBL, is more uniform than EBL. The analysis found that EBL is more employing its saving deposits in term of loans and advances than that of HBL. So , loans and advances to total saving deposits ratio appear better in EBL than HBL.
7	Joshi S	2015	From this research, he concluded that both have good deposit collection. EBL has the highest cash and bank balance to total deposit, cash and bank balance to current ratio. This makes the bank to be in good position to meet the daily cash requirement. SCBNL has successfully maintained and managed its assets towards different income generation activities. SCBNL has made high portion of total working fixed deposit in investment on government on share and debenture of other companies.



8	Shrestha A.	2020	The finding shows that the NIBL has the better liquidity position; EBL is comparatively successful to invest in productive sectors and has mobilized its collected deposit to provide loan and advances. HBL is better in investment on share and debenture to total working fund, NIBL is better in return on total working fixed deposit. The growth ratio of deposit, loan and advances and net profit EBL holds better position. In the side of growth in investment NIBL seems more better than EBL and HBL.
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## 2.4 Research gap

There are various researcher conducts on lending practices, credit policy, financial performance and credit management of various commercial banks. Some of the researchers have done the financial performance between three different commercial banks. In order to perform those analysis researchers have used various ratio analysis. The past researchers in measuring financial performance of bank have been focused on the limited ratios, which are incapable to solving problems. In this research various ratio are systematically analyzed and generalized. Past researchers are not properly analyzed about deposit on bank and its impact on the profitability. The ratios are not categorized according to nature.

This study comprises of three joint venture banks EBL, HBL,SCBNL and one government owned bank RBB. This study is also different from the previous studies in view of the time period its covers. During this period of the country has witness political uncertainty, deteriorating security situation that have rendered the economy further sluggish. There has been restructuring in the banking business. In previous studies some researchers were focused on only particular types of deposit, but in this study total deposit focused to analyze the effect of deposit on the performance of the banks.

The job conducting research and preparing report is difficult in itself especially to the unprofessional person like a student. Researcher has tried to make this thesis as a complete outcome of the research on mentioned topic from the best of my effort and knowledge. Researcher wants to prove that this research is an original one and should be the foundation for the future researcher to know about the problem of deposit procedures of commercial banks (Shrestha, 2020).

## **CHAPTER - 3**

### **RESEARCH METHODOLOGY**

This chapter presents the research methodology of the study. It describes and justifies the methods and processes that were used in order to collect data in answering the research questions. The chapter also focuses on the research design that was adopted, sampling techniques, the key study variables and units of analysis. The rest are the sources of data and methods of data collection as well as methods of data analysis. It explains the type of data used for the study and the techniques employed that how commercial banks are mobilizing deposits.

#### **3.1 Research Design**

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. For the analysis of the Deposit Mobilization of EBL, HBL, RBB and SCBNL descriptive design applied to achieve the objective of the research.

#### **3.2 Population and Sample**

There are altogether 27 commercial banks are in operation in Nepal. In this study, the deposit mobilization of SCBN, EBL, HBL & RBB is studied. 27 commercial banks are taken as the population and SCBN, EBL, HBL & RBB is chosen as the sample by using convenience sampling method to find the condition of deposit mobilization.

#### **3.3 Source of Data collection**

This study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan & advances, assets, & profit are directly obtained from the balance sheet & profit & loss a/c of concerned bank's annual reports. Supplementary data & information are collected from number of institution & regulating authorities like NRB, security exchange board, Nepal stock exchange Ltd, ministry of finance budget speech of different fiscal years, economic survey & national planning commission etc.

#### **3.4 Method of Analysis**

To achieve the objectives of the study, various financial, statistical & accounting tools have been used in this study. The analysis of data will be done according to pattern of data available. Because of limited time & resources, simple analytical statistical tools such as graph, percentage, Karl Pearson's coefficient of correlation, & the method of least square, are adopted in this study. Especially descriptive analysis method is used for the study. The various calculated results obtained through financial, accounting

& statistical tools tabulated under different heading and these are compared with each other. Major tools used for the analysis of collected data are:

### 3.5 Data collection procedure

This work is based on financial as well as statistical analysis. Some major tools and techniques applied for making the thesis work more presentable are briefly considered below:

#### 3.5.1 Financial tools (Ratio Analysis)

In this unit the financial position of the banks are observed. Especially the ratio analysis technique is applied for financial analysis of total commercial banking system and sampled banks in this unit. An arithmetical relationship between two figures is known as ratio. It is computed by dividing one item of relationship with the other. Ratio simply means one number expressed in terms of another.

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

#### I. Liquidity Ratios

Liquid Assets to Total Assets ratio	=	$\frac{\text{liquid assets}}{\text{Total assets}}$
Liquid fund to total deposit ratio	=	$\frac{\text{liquid fund}}{\text{Total deposits}}$
Cash & bank balance to current assets ratio	=	$\frac{\text{cash \& bank balance}}{\text{Current assets}}$

### **i. Assets Management Ratios**

Total deposit to total liabilities ratio	=	$\frac{\text{Total deposit}}{\text{Total liabilities}}$
Loan and advances to total deposit ratio	=	$\frac{\text{loan and advances}}{\text{Total deposits}}$
Total investment to total deposit ratio	=	$\frac{\text{Total investment}}{\text{Total deposits}}$
Loan and advances to total assets ratio	=	$\frac{\text{loan and advances}}{\text{Total assets}}$
Investment on government bond to total deposit ratio		$\frac{\text{Investment on government bond}}{\text{Total deposit}}$

### **iii. Profitability Ratios**

Return on Equity	=	$\frac{\text{Net profit}}{\text{Total equity capital}}$
Return on Investment	=	$\frac{\text{Net profit}}{\text{Cost of Investment}}$

### **iv. Growth Ratios**

- Growth ratio of deposit
- Growth of loan and advances
- Growth of investment
- Growth of return

### 3.5.2 Statistical tools

In this study, some important statistical tools have been used to present and analyze the data for achieving the objectives. Such as coefficient of correlation between different variables, trend analysis of important variables.

#### Mean

The most popular and widely used measure of representing the entire data by the one value is known as average. Its value is obtained by adding together all times and the summation of times is divided by the number of sample banks period. If the past items of the sample period are  $X_t$ , number of periods are  $n$  then the mean is defined as follows:

$$\bar{X} = \frac{\sum X}{N}$$

#### Standard Deviation

The measurement of the scatter ness of the mass of figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater the amount of dispersion, larger will be the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as home gently of a series; a large standard deviation means just the opposites. In this study, standard deviation of different ratio is calculated.

$$S.D. = \frac{\sqrt{\sum X^2 - (\sum X)^2}}{N}$$

#### Co-efficient of variance (C.V)

The co-efficient of variance is the relative measurement of dispersion, comparable across distribution, which is defined as the ratio of the standard deviation to the mean expressed in percentage. It is calculated as.

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

Where,

$$\text{Standard deviation (S.D.)} = \frac{\sqrt{\sum X^2 - (\sum X)^2}}{N}$$

#### Correlation Coefficient

The correlation coefficient is the specific measure that quantifies the strength of the linear relationship between two variables in a correlation analysis. The coefficient is what we symbolize with the  $r$  in a correlation report. For two variables, the formula

compare the distance of each data point from the variable mean and uses this to tell us how closely the relationship between the variables can be fit to an imaginary line drawn through the data. This is what we mean when we say that correlation look at linear relationships. It can be calculated as:

$$r = \frac{N\sum xy - (\sum x)(\sum y)}{\sqrt{[N\sum x^2 - (\sum x)^2] [N\sum y^2 - (\sum y)^2]}}$$

Where,

$\sum x$  = Independent variable

$\sum y$  = Dependent variable

N = Total number of observation

### **Regression analysis**

Regression coefficient is a statistical measure of the average functional relationship between two or more variables. In regression analysis, one variable is considered as dependent and other as independent. Thus, it measures the degree of dependence of one variable on the other. Regression coefficient is calculated as:

$$Y_i = \beta_0 + \beta_1 X_i + \epsilon_i$$

Where,

$Y_i$  = Dependent Variable

$\beta_0$  = Population Y intercept

$\beta_1$  = Population Slope Coefficient

$X_i$  = Independent Variable

$E_i$  = Random Error term

## CHAPTER -4

### RESULT AND DISCUSSION

This is an analytical chapter, which primarily deals with the presentation and analysis of data collected from various sources with a view to measure the various dimensions of the problems of the study that particularly affects the investment management and fund mobilization of EBL, HBL, RBB& SCBNL.

#### 4.1 Data presentation and analysis

##### 4.1.1 Financial tools

##### Liquidity ratio

##### a) Cash and bank balance to total deposit ratio

Cash and bank balance are the most liquid current assets, which is said to be the first defense of every bank. This ration measures the availability of a bank's highly liquid and immediately available fund to meet its unanticipated call on all type of deposits. This ratio is computed by dividing cash and bank balance by total deposits. Higher ratio shows higher liquidity position and ability to cover the deposit and vice versa.

Cash and bank balance to total deposit ratio =  $\frac{\text{Cash and bank balance}}{\text{Total deposit}}$

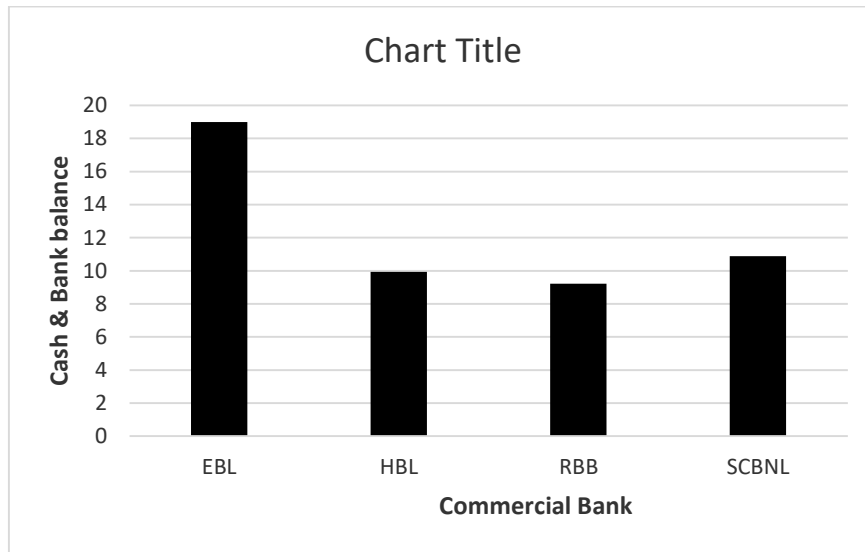
Total deposit

**Table: 4.1**  
**Cash and Bank Balance to Total Deposits Ratio (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	21.9789	7.3013	15.0164	5.6938
2016/17	19.2678	7.9209	10.625	12.708
2017/18	19.24	10.2525	5.8794	13.1427
2018/19	18.4097	9.2468	6.7323	16.3177
2019/20	16.091	14.9683	7.7919	6.5206
<b>Mean (<math>\bar{X}</math>)</b>	<b>18.99</b>	<b>9.94</b>	<b>9.21</b>	<b>10.88</b>
<b>S.D.(<math>\sigma</math>)</b>	<b>1.89</b>	<b>2.72</b>	<b>3.32</b>	<b>4.10</b>
<b>C.V.(in%)</b>	<b>9.94</b>	<b>27.34</b>	<b>36.001</b>	<b>37.67</b>

Source: Appendix 1

**Figure: 4.1**  
**Cash and Bank Balance to Total Deposits Ratio**



From the above analysis, cash and bank balance to total deposits ratio of the sample banks followed a fluctuating trend. The higher ratio of EBL is 21.9% in year 2015/16, HBL has higher ratio of 14.97% in year 2019/20, RBB has 15.02% in year 2015/16 and SCBNL has higher ratio of 16.31% in fiscal year 2018/19 respectively. The average ratio of EBL is greater than other banks (i.e. 18.99% > 9.94%, 9.21%, and 10.88%). The variability of the ratio of EBL is lower than sample banks.

**(b) Cash and Bank Balance to Current Assets Ratio**

This ratio reflects the proportion of cash and bank balance out of total current assets. It can be calculated as follows:

$$\text{Cash and bank balance to Current assets ratio} = \frac{\text{Cash and bank balance}}{\text{Current assets}}$$

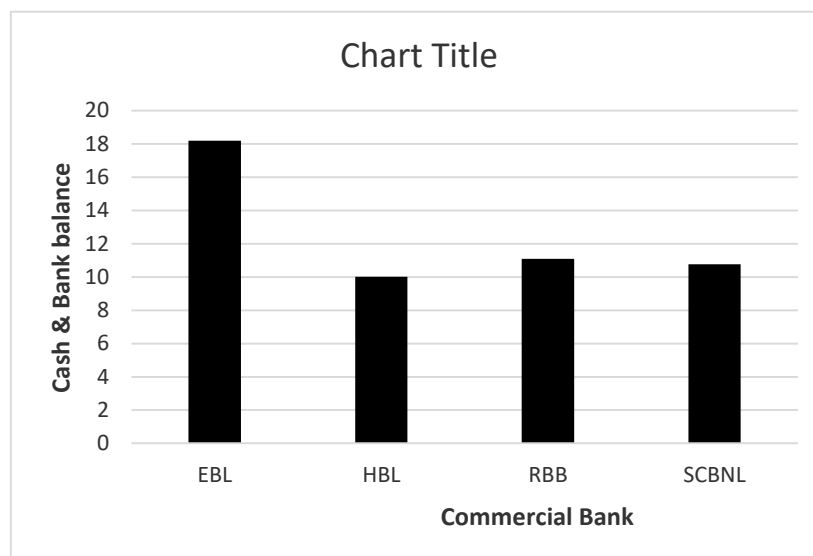


**Table: 4.2**  
**Cash and Bank Balance to Current Assets Ratio (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	22.6215	8.2703	19.8658	7.6744
2016/17	18.4683	8.6239	13.2153	13.3464
2017/18	17.9975	10.0433	6.0497	11.3639
2018/19	16.6085	9.0115	8.1629	15.3286
2019/20	15.2146	14.1169	8.1594	6.0522
<b>Mean (<math>\bar{X}</math>)</b>	<b>18.18</b>	<b>10.01</b>	<b>11.09</b>	<b>10.75</b>
<b>S.D.(<math>\sigma</math>)</b>	<b>2.14</b>	<b>2.49</b>	<b>4.98</b>	<b>3.45</b>
<b>C.V.(in%)</b>	<b>13.72</b>	<b>21.33</b>	<b>44.92</b>	<b>32.11</b>

Source: Appendix 1

**Figure: 4.2**  
**Cash and Bank Balance to Current Assets Ratio**



Both banks have maintained the cash and bank balance to current assets in fluctuating trend. EBL has maintained fewer ratios than other sample banks. The highest ratio of the EBL is 22.62% in year 2015/16 among sample banks (i.e. HBL 14.11%, RBB 19.86% & SCBNL 15.32%). As well as the lowest ratio of EBL 15.21 % is in year 2019/20. EBL has the lowest standard deviation and coefficient of variation among all sample banks.

**(c) Investment on Government Securities to Current Assets Ratio**

Investment on government securities to current assets ratio reflects the current assets invested on government securities, treasury bills and development bonds. Though the government securities are not so liquid as cash & balance, they can be easily sold in the market or they can be easily converted into cash in other ways and they are risk free too.

This ratio shows that out of total current assets, how much percentage of it has been occupied by the investment on government securities. This ratio is calculated by dividing the amount of invested on government securities by current assets.

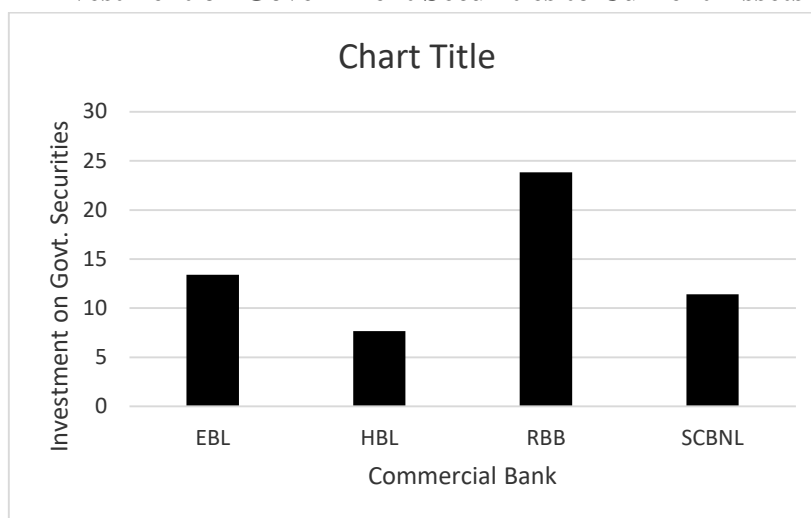
$$\text{Inv. On Govt. Securities to Current assets} = \frac{\text{Inv. On Govt. Securities}}{\text{Current assets}}$$

**Table: 4.3**  
**Investment on Government Securities to Current Assets Ratio (Rs in Million)**

<b>Fiscal Year</b>	<b>EBL</b>	<b>HBL</b>	<b>RBB</b>	<b>SCBNL</b>
2015/16	11.3775	12.2074	26.3952	17.6112
2016/17	8.6058	9.3373	21.6111	7.4611
2017/18	11.7256	5.3164	14.1444	5.6976
2018/19	14.3262	5.602	24.3239	13.9747
2019/20	20.9317	5.8222	32.7298	12.4002
<b>Mean ( <math>\bar{X}</math> )</b>	<b>13.39</b>	<b>7.66</b>	<b>23.84</b>	<b>11.43</b>
<b>S.D.( <math>\sigma</math> )</b>	<b>4.18</b>	<b>2.71</b>	<b>6.08</b>	<b>4.34</b>
<b>C.V.(in%)</b>	<b>31.23</b>	<b>35.33</b>	<b>25.50</b>	<b>37.98</b>

Source: Appendix 1

**Figure: 4.3**  
**Investment on Government Securities to Current Assets Ratio**



All banks has invested their fund in government securities in variable trend.. HBL has invested low portion of current assets in government securities i.e. 7.66% in the year 2018/19and high portion in the year 2015/16 i.e.12.20%, EBL has lowest portion of current assets in government securities in year 2016/17 i.e. 8.65% and highest portion 20.93% in year 2019/20 as well as SCBNL has lowest portion of current assets in government securities in 2017/18 i.e. 5.69% and highest 17.61% in year 2015/16. The mean ratio of RBB is higher among sample bank (i.e. 23.84% >13.39%, 7.66%,& 11.43%). SCBNL seems more variable in investing its current assets than that sample banks.

#### **4.1.2 Assets Management Ratio**

Assets management ratio measures the efficiency of the bank to manage its assets in profitable and satisfactory manner. A commercial bank must manage its assets properly to earn high profit. Under this chapter following ratio are studied:

##### **(a) Loan and Advances to Total Deposits Ratio**

The ratio measures the extent to which the banks are successful to mobilize their total deposits on loan and advances. We have,

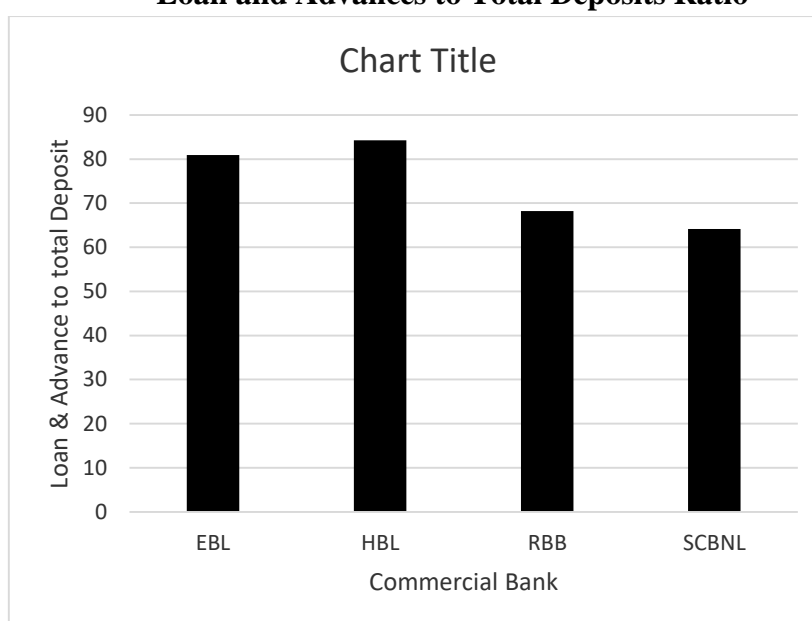
$$\text{Loan and advances to total deposit} = \frac{\text{Loan and advances}}{\text{Total deposit}}$$

**Table: 4.4**  
**Loan and Advances to Total Deposits Ratio (Rs in Million)**

<b>Fiscal Year</b>	<b>EBL</b>	<b>HBL</b>	<b>RBB</b>	<b>SCBNL</b>
2015/16	72.5394	77.5695	55.9329	56.1718
2016/17	81.2747	82.2495	66.5197	61.4716
2017/18	81.5348	87.0404	74.0355	69.6323
2018/19	86.4465	89.1057	77.4875	73.4616
2019/20	82.9488	85.201	67.2713	59.9192
<b>Mean (<math>\bar{X}</math>)</b>	<b>80.95</b>	<b>84.23</b>	<b>68.25</b>	<b>64.13</b>
<b>S.D. (<math>\sigma</math>)</b>	<b>4.59</b>	<b>4.022</b>	<b>7.41</b>	<b>6.41</b>
<b>C.V.(in%)</b>	<b>5.67</b>	<b>4.78</b>	<b>10.86</b>	<b>9.99</b>

Source: Appendix 2

**Figure: 4.4**  
**Loan and Advances to Total Deposits Ratio**



A high ratio of loan and advances indicates better mobilization of collected deposits and vice versa. But it should be noted that too high ratio might not be better from liquidity point of view. The above comparative table shows that these sample banks have mobilized their collected deposits in variable trend. The highest ratio of EBL & HBL is 80.95% and 84.23% respectively. In average EBL & HBL has mobilized 80.95% and 84.23% of its collected deposit in loan and advances that is more than that of RBB & SCBNL. EBL and HBL seems to be more consistent in mobilizing its

total deposits as loan and advances than that of RBB & SCBNL due to low coefficient of variation.

**(b) Total Investment to Total Deposits Ratio**

Total investment to total deposit ratio indicates how properly firm deposit have been invests on government securities and share and debenture of the other companies. This ratio can be computed by dividing the total investment by total amount of deposit collections.

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

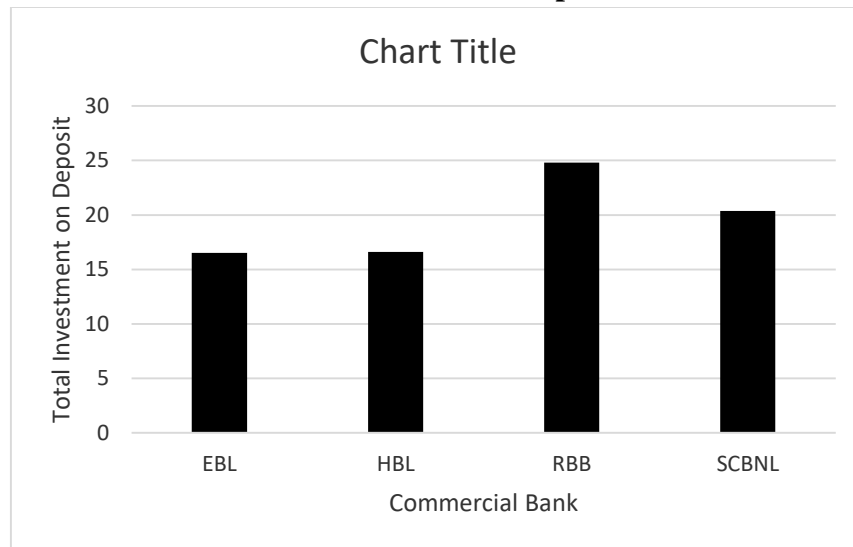
**Table: 4.5**  
**Total Investment to Total Deposits Ratio (Rs. In Million)**

<b>Fiscal Year</b>	<b>EBL</b>	<b>HBL</b>	<b>RBB</b>	<b>SCBNL</b>
2015/16	19.415	21.1056	29.9152	41.4423
2016/17	12.5818	19.3035	24.9227	24.4736
2017/18	13.4655	11.9733	15.181	6.9504
2018/19	16.8017	15.5147	21.4625	15.2317
2019/20	20.3514	15.1817	32.5739	13.743
<b>Mean ( <math>\bar{X}</math> )</b>	<b>16.52</b>	<b>16.62</b>	<b>24.81</b>	<b>20.37</b>
<b>S.D.( <math>\sigma</math> )</b>	<b>3.10</b>	<b>3.23</b>	<b>6.17</b>	<b>11.93</b>
<b>C.V.(in%)</b>	<b>18.75</b>	<b>19.45</b>	<b>24.86</b>	<b>58.56</b>

Source: Appendix2

**Figure: 4.5**

**Total Investment to Total Deposits Ratio**



From the study of mean ratio we can conclude that, RBB has mobilized its collected deposits on investment better than sample banks. . RBB has lowest ratio of 15.18% in the year 2017/18 and highest ratio of 32.57% in the year 2019/20. The coefficient of variation of NABIL is 38.87% which is more than that of NCC. SCBNL has highest coefficient of variance 58.56% among sample banks.

**(c) Loan and Advances to Total Working Fund Ratio**

This ratio reflects the extent to which the commercial banks are success in mobilizing their assets on loan and advances for the purpose of income generation. A high ratio indicates better mobilization of fund on loan and advances and vice versa. We have,

$$\text{Loan and advances to Total working fund ratio} = \frac{\text{Total loan and advances}}{\text{Total working fund}}$$

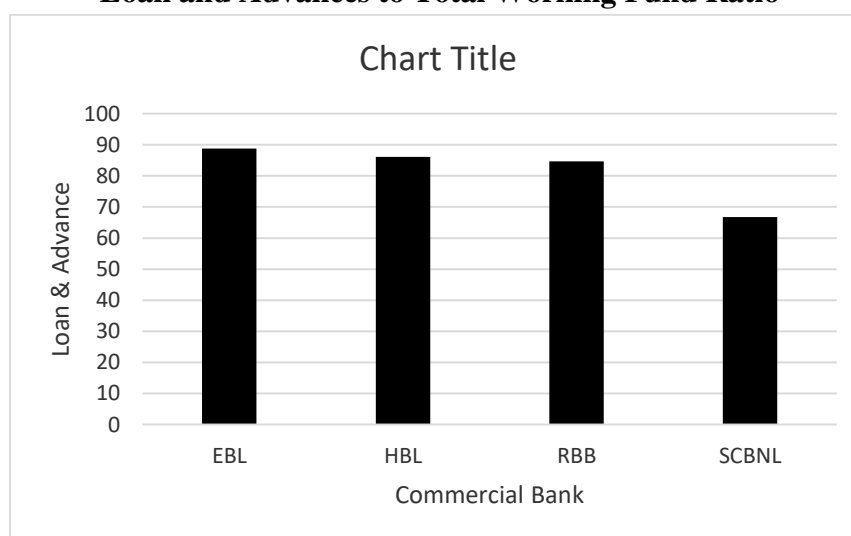
$$\text{Total working fund}$$

**Table: 4.6**  
**Loan and Advances to Total Working Fund Ratio (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	84.457	90.3285	81.9063	78.4328
2016/17	85.4731	91.7313	89.1534	66.3867
2017/18	83.7622	86.8238	80.467	61.4932
2018/19	89.4926	89.0414	98.329	70.8159
2019/20	90.6258	82.5581	73.736	56.7414
<b>Mean (<math>\bar{X}</math>)</b>	<b>88.76</b>	<b>86.10</b>	<b>84.72</b>	<b>66.77</b>
<b>S.D. (<math>\sigma</math>)</b>	<b>2.77</b>	<b>3.21</b>	<b>8.38</b>	<b>7.50</b>
<b>C.V.(in%)</b>	<b>3.19</b>	<b>3.64</b>	<b>9.90</b>	<b>11.23</b>

Source: Appendix 2

**Figure: 4.6**  
**Loan and Advances to Total Working Fund Ratio**



During the study period EBL has highest ratio of 88.76% and lowest ratio of 83.72% in the year 2017/18 and respectively whereas HBL has highest ratio of 91.73% and lowest ratio of 82.56% in the year 2016/17 and 2019/20 respectively. RBB has highest ratio in year 2018/19 is 98.33% and the lowest 73.74% in year 2019/20. As well as SCBNL has lowest ratio in 2019/20 is 56.74% and the highest is 78.43% in year 2015/16. The mean ratio of SCBNL is 66.77%, which is slightly lower than other sample banks. Coefficient of variation of EBL is lower than comparison of other sample banks.

**(d) Investment on Government Securities to Total Working Fund Ratio**

The main purpose of this ratio is to examine that portion of commercial banks total working fund that has been invested into different government securities. This ratio is calculated by dividing investment on government securities by total working fund.

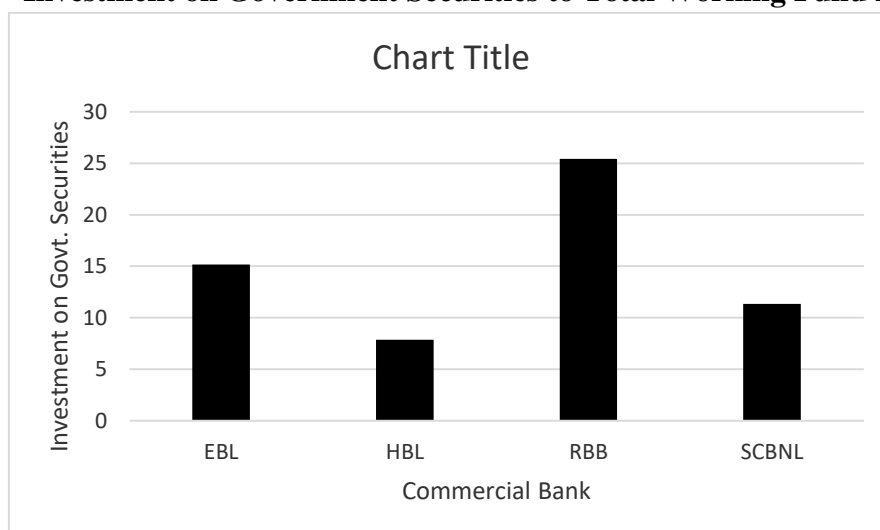
$$\text{Inv. On Govt. Securities to Total working fund} = \frac{\text{Inv. On Govt. Securities}}{\text{Total working fund}}$$

**Table: 4.7**  
**Investment on Govt. Securities to Total Working Fund Ratio (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	12.8704	12.5498	29.217	18.2442
2016/17	9.4422	9.5648	23.2872	6
2017/18	12.8805	5.4136	14.9404	5.5578
2018/19	16.4393	5.7441	25.4566	14.3405
2019/20	24.1863	5.9819	34.2593	12.651
<b>Mean ( <math>\bar{X}</math> )</b>	<b>15.16</b>	<b>7.85</b>	<b>25.43</b>	<b>11.36</b>
<b>S.D.(<math>\sigma</math>)</b>	<b>5.02</b>	<b>2.79</b>	<b>6.43</b>	<b>4.91</b>
<b>C.V.(in%)</b>	<b>33.14</b>	<b>35.52</b>	<b>25.30</b>	<b>43.19</b>

Source:Appendix2

**Figure: 4.7**  
**Investment on Government Securities to Total Working Fund Ratio**





Above analysis shows the investment on government securities to total working fund ratio in fluctuating trend. EBL has 24.19%, the highest ratio in the year 2019/20 and 9.44% the lowest ratio in the year 2016/17. HBL, RBB & SCBNL has highest ratio 12.54%, 34.26% and 18.24% in years 2015/16, 2019/20 and 2015/16 respectively as well as they have lower ratio in year of 2017/18 is 5.41%, 14.94% and 5.56%. RBB has higher mean ratio among all sample banks (i.e.25.43%>15.16%, 7.85% & 11.36%). HBL has lower standard deviation and higher coefficient of variation than other sample banks.

#### (e) Investment on Shares and Debentures to Total Working Fund Ratio

The main purpose of this ratio is to examine that portion of commercial banks total working fund that has been invested into investment on share and debentures. This ratio is calculated by dividing investment on share and debenture by total working fund.

$$\text{Inv. on Shares and Debenture to Total working fund} = \frac{\text{Inv. On Share and Debenture}}{\text{Total working fund}}$$

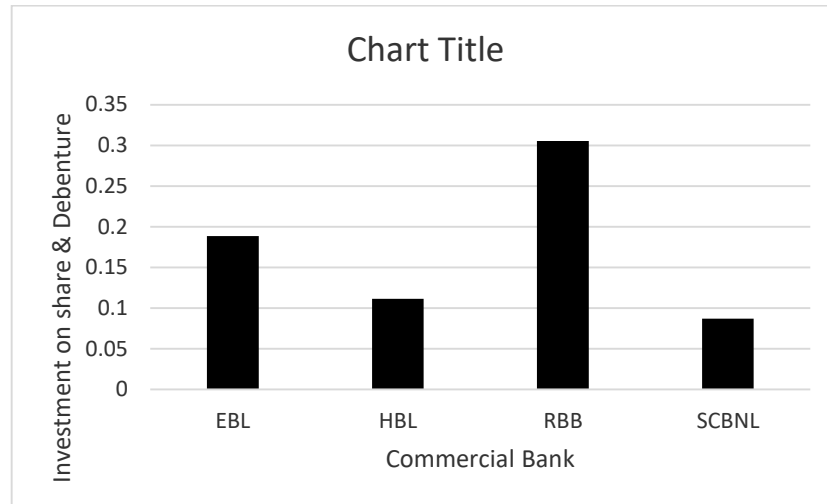
**Table: 4.8**

**Inv.on Shares and Debentures to Total Working Fund Ratio (Rs in Million)**

<b>Fiscal Year</b>	<b>EBL</b>	<b>HBL</b>	<b>RBB</b>	<b>SCBNL</b>
2015/16	0.0942	0.2719	0.2062	0.1403
2016/17	0.0839	0.2448	0.2362	0.0947
2017/18	0.0245	0.0064	0.2663	0.0737
2018/19	0.0221	0.016	0.4275	0.0713
2019/20	0.717	0.0174	0.3906	0.0558
<b>Mean (<math>\bar{X}</math>)</b>	<b>0.19</b>	<b>0.11</b>	<b>0.31</b>	<b>0.09</b>
<b>S.D.(<math>\sigma</math>)</b>	<b>0.27</b>	<b>0.12</b>	<b>0.09</b>	<b>0.03</b>
<b>C.V.(in%)</b>	<b>141.22</b>	<b>108.20</b>	<b>28.67</b>	<b>33.63</b>

Source: Appendix2

**Figure: 4.8**  
**Investment on Shares and Debentures to Total Working Fund Ratio**



Comparatively, RBB has the greater volume of investment than that of NABIL in average (i.e. 0.31% > 0.11%, 0.19% & 0.09%). All banks followed a fluctuating trend in investing shares and debentures from total working funds. SCBNL has lower standard deviation than other sample banks. As well as RBB has lowest coefficient of variance than other sample bank (i.e. 28.67% < 141.22%, 108.20% & 33.63%).

#### 4.1.3 Profitability Ratios

##### (a) Return on Equity (ROE)

The return on equity ratio is a profitability ratio that measures the ability of a firm to generate profits from its shareholder's investment in the company. In other words, the return on equity ratio shows how much profit each dollar of common stockholder's equity generates.

So a return on 1 means that every dollar of common stockholder's equity generates 1 dollar of net income. This is an important measurement for potential investors because they want to see how efficiently a company will use their money to generate net income. ROE is also an indicator of how effective management is at using equity financing to fund operations and grow the company return on equity ratio formula is calculated by dividing net income by shareholder's equity.

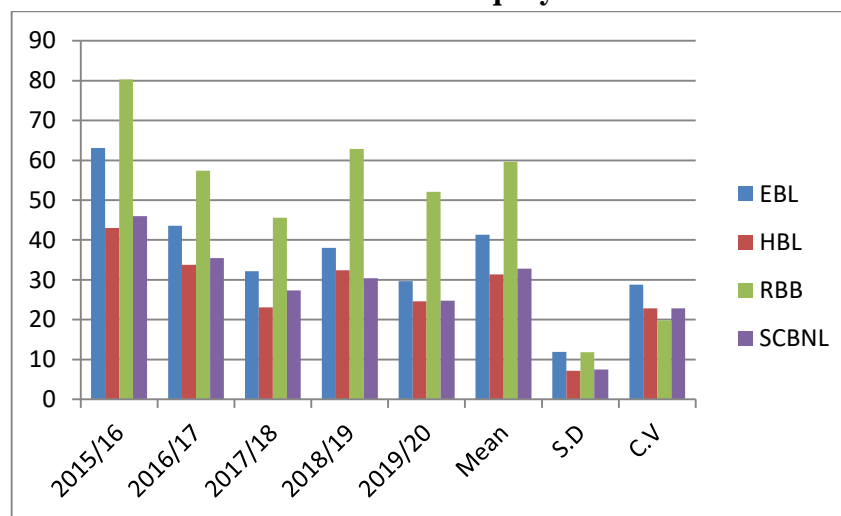
$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

**Table: 4.9**  
**Return on Equity(Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	63.09	43.03	80.32	45.96
2016/17	43.55	33.76	57.4	35.49
2017/18	32.16	23.11	45.59	27.33
2018/19	38.05	32.44	62.87	30.39
2019/20	29.71	24.6	52.1	24.81
<b>Mean (<math>\bar{X}</math>)</b>	<b>41.31</b>	<b>31.38</b>	<b>59.65</b>	<b>32.79</b>
<b>S.D.(<math>\sigma</math>)</b>	<b>11.90</b>	<b>7.16</b>	<b>11.80</b>	<b>7.48</b>
<b>C.V.(in%)</b>	<b>28.81</b>	<b>22.83</b>	<b>19.79</b>	<b>22.81</b>

Source: Appendix 3

**Figure: 4.9**  
**Return on Equity**



From the analysis, RBB has the highest ratio of 80.32% in the year 2015/16 and lowest ratio of 52.1% in the year 2019/20 whereas EBL, HBL & RBB has highest ratio in year 2015/16 of all is The lowest ratio of EBL, HBL & RBB is 29.71%, 23.11% & 24.81% in year of 2019/20, 2017/18 and 2019/20. RBB has highest mean ratio than all sample bank (i.e.59.65% >41.31%, 31.38% and 32.79%).

## (b)Return on Investment

Return on investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of investment. The result is expressed as a percentage or a ratio. The formula is:

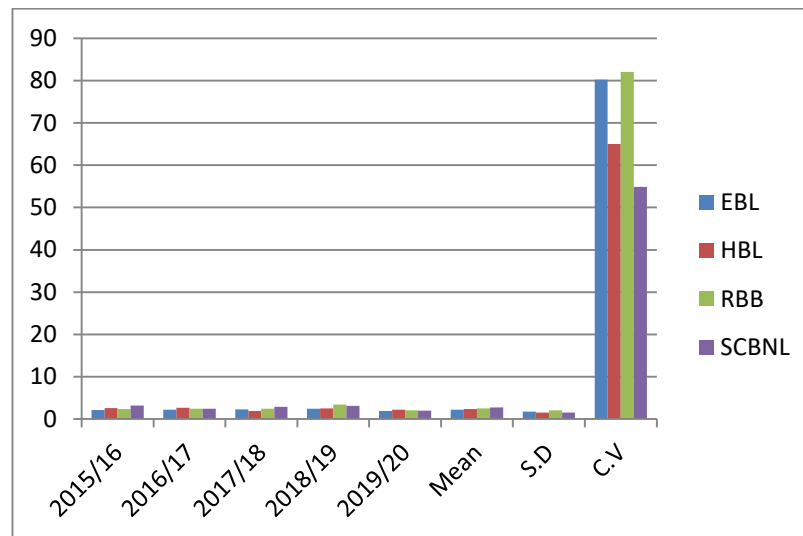
$$\text{ROI} = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

**Table: 4.10**  
**Return on Investment (Rs in Million)**

<b>Fiscal Year</b>	<b>EBL</b>	<b>HBL</b>	<b>RBB</b>	<b>SCBNL</b>
2015/16	2.15	2.58	2.36	3.21
2016/17	2.22	2.62	2.42	2.4
2017/18	2.3	1.89	2.42	2.88
2018/19	2.44	2.52	3.39	3.1
2019/20	1.92	2.23	2.08	1.98
<b>Mean ( <math>\bar{X}</math> )</b>	<b>2.206</b>	<b>2.368</b>	<b>2.534</b>	<b>2.714</b>
<b>S.D.(<math>\sigma</math>)</b>	<b>1.77</b>	<b>1.54</b>	<b>2.08</b>	<b>1.49</b>
<b>C.V.(in%)</b>	<b>80.23</b>	<b>65.03</b>	<b>82.08</b>	<b>54.90</b>

Source: Appendix 3

**Figure: 4.10**  
**Return on Investment**



The above table shows that RBB has highest ratio of 3.39% in the year 2018/19 lower in 2019/20 is 2.08%. EBL, HBL & SCBNL has slightly lower ratio i.e. 1.92%, 1.89% and 1.98% pn the year 2019/20, 2017/18 and 2019/20. All banks have decreasing trend of ROI. The mean ratio of EBL is slightly lower (i.e. 2.21% < 2.37%, 2.53% and 2.71%) of bank HBL, RBB& SCBNL. The coefficient of variation of SCBNL is bank lowers among all sample banks (i.e. 54.90% < 80.23%, 65.03% & 82.08%).

#### 4.1.4 Growth Ratios

Growth ratio denotes that how well the banks are preserving their economic or financial position. To calculate, check and analyze the expansion and growth of the selected bank the following ratios are calculated:

##### (a) Growth Ratio of Total Deposits

To measure such growth percentage and analysis the following formula are used:

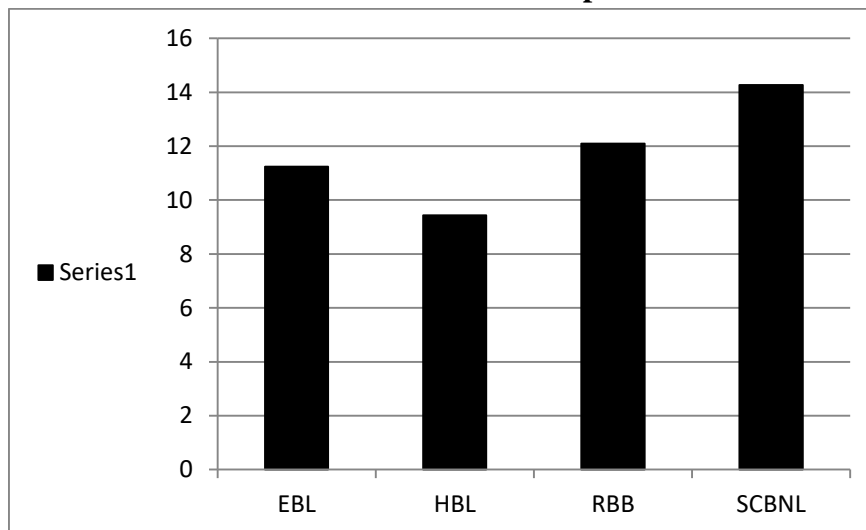
$$\text{Growth Percentage} = \frac{\text{Ending Value} - \text{Beginning Values}}{\text{Beginning Value}} \times 100$$

**Table: 4.11**  
**Growth Ratio of Total Deposits (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	937.35	873.36	1462.08	557.27
2016/17	950.94	928.81	1535.81	638.73
2017/18	1155.1171	989.89	1642.1	670.61
2018/19	1295.68	1093.8706	1892.55	757.32
2019/20	1435.45	1252.64	2309.03	950.21
<b>Growth Rate(%)</b>	<b>11.24</b>	<b>9.44</b>	<b>12.1</b>	<b>14.27</b>

Source: Appendix 4

**Figure: 4.11**  
**Growth Ratio of Total Deposits**



The above analysis shows that EBL, RBB & SCBNL has increasing trend and HBL has fluctuating trend of total deposits. The growth ratio of EBL, RBB & SCBNL and HBL are 11.24%, 12.01%, 14.27% and 9.44% respectively. The growth ratio of HBL seems to be lower than EBL, RBB & SCBNL.

**(b) Growth Ratio of Loan and Advances**

To measure such growth percentage and analysis the following formula are used:

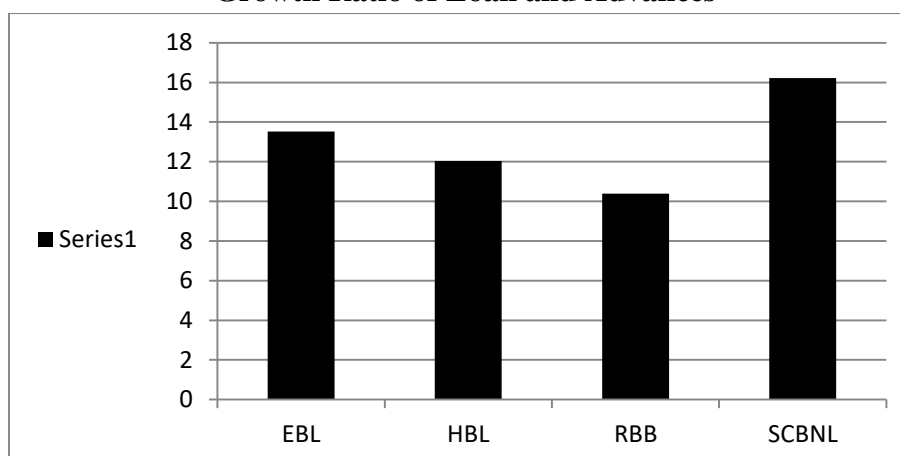
$$\text{Growth Percentage} = \frac{\text{Ending Value} - \text{Beginning Values}}{\text{Beginning Value}} \times 100$$

**Table: 4.12**  
**Growth Ratio of Loan and Advances (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	679.55	677.46	817.78	312.03
2016/17	772.88	736.94	1021.62	392.64
2017/18	941.82	861.6	1465.6	466.96
2018/19	1120.07	974.7	1552.55	556.34
2019/20	1128.97	1067.27	1214.6	569.36
<b>Growth Rate(%)</b>	<b>13.53</b>	<b>12.03</b>	<b>10.39</b>	<b>16.22</b>

Source: Appendix 4

**Figure: 4.12**  
**Growth Ratio of Loan and Advances**



The above analysis shows that SCBNL has higher growth rate than EBL, HBL and RBB (i.e. 16.22% > 13.53%, 12.03% and 10.32%). SCBNL has increasing trend and EBL, HBL and RBB has fluctuating trend of growth rate of loans and advances.

**(c) Growth Ratio of Total Investment**

To measure such growth percentage and analysis the following formula are used:

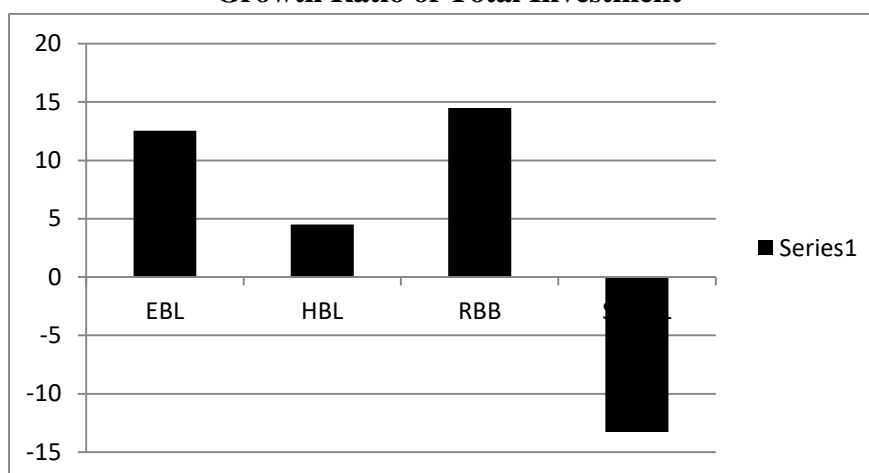
$$\text{Growth Percentage} = \frac{\text{Ending Value} - \text{Beginning Values}}{\text{Beginning Value}} \times 100$$

**Table: 4.13**  
**Growth Ratio of Total Investment (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	181.99	193.06	437.68	230.95
2016/17	119.65	179.29	382.76	156.32
2017/18	155.52	118.5	249.57	46.61
2018/19	217.49	169.71	405.94	11.35
2019/20	291.93	230.17	751.77	130.59
<b>Growth Rate(%)</b>	<b>12.54</b>	<b>4.49</b>	<b>14.48</b>	<b>-13.28</b>

Source: Appendix4

**Figure: 4.13**  
**Growth Ratio of Total Investment**



The growth rate of total investment of SCBNL seems to be lower than EBL, HBL and RBB (i.e. -13.28% <12.54%, 4.49% & 14.48%). SCBNL has fluctuating trend but EBL, HBL and RBB has increasing trend of growth ratio of investment.

**(d) Growth Ratio of Net Profit**

To measure such growth percentage and analysis the following formula are used:

$$\text{Growth Percentage} = \frac{\text{Ending Value} - \text{Beginning Values}}{\text{Beginning Value}} \times 100$$



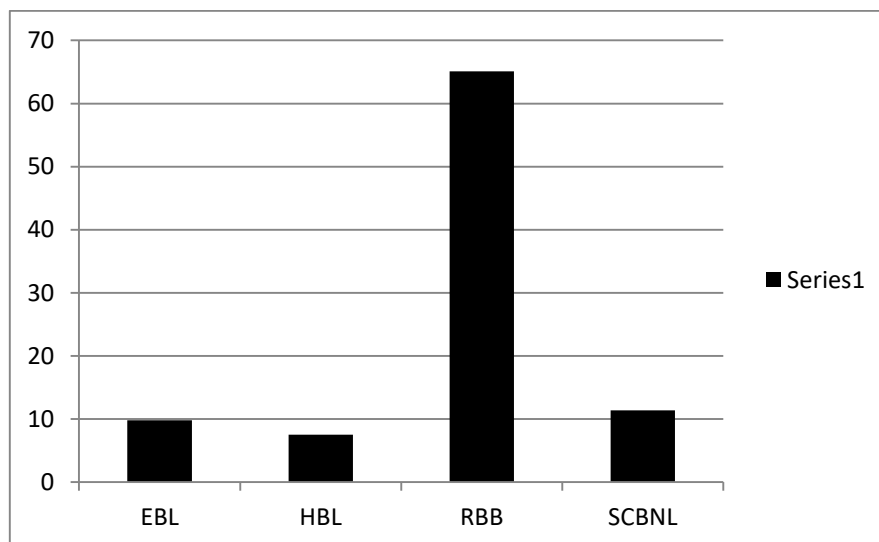
**Table: 4.14**  
**Growth Ratio of Net Profit (Rs in Million)**

Fiscal Year	EBL	HBL	RBB	SCBNL
2015/16	17.3	19.36	5.89	12.92
2016/17	20.06	21.78	27.76	14.22
2017/18	25.82	18.76	36.59	21.9
2018/19	30.54	27.64	50.47	24.35
2019/20	25.16	25.88	43.77	19.87
<b>Growth Rate(%)</b>	<b>9.82</b>	<b>7.53</b>	<b>65.11</b>	<b>11.36</b>

Source: Appendix 4

**Figure: 4.14**

**Growth Ratio of Net Profit**



From above table we can conclude that RBB has growth rate of 65.11% and EBL, HBL, SCBNL has the growth rate of 9.82%, 7.53% and 11.36%. It seems that RBB has higher growth rate than EBL, HBL and SCBNL. All sample banks followed a fluctuating trend on the growth ratio of net profit.

#### **4.1.5 Correlation between total deposit and loan and advances**

The following table describes the relationship between total deposit and loan and advances of EBL, HBL, RBB and SCBNL with comparatively under five year period. In this case, total deposits are independent variable say (X) and loan and advances is dependent variable (Y).

**Table: 4.15**

**Relation between total deposit and loan and advances**

Banks	Correlation		
		<i>Deposit</i>	<i>Loan &amp; advances</i>
EBL			
	Deposit	1	
	Loan & advances	0.99	1
HBL		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.98	1
RBB		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.91	1
SCBNL		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.89	1

Source: Appendix 5

From the above table we can find the coefficient of correlation between deposit and loan and advances of EBL, HBL, RBB and SCBNL are 0.99, 0.98, 0.91 and 0.89 respectively. This shows the highly positive relationship between these two variables i.e. total deposit and loan and advances. We can interpret that the highly positive relation represents that if deposit increase then loan and advances will increase too.

**4.1.6 Statistical tools**

**Regression Analysis**

The following table describes the relationship between deposit and loan and advance as well as relationship between deposit and investment of EBL, HBL, RBB and SCBNL with comparatively under five year period. In this case deposit is dependent (Y) variable and ROE and ROI is independent variable (X).

**4.1.6.1 Analysis between deposit and loan and advances**

The following table describes the relationship between total deposits and loan and advances of EBL, HBL, RBB and SCBNL with comparatively under five-year period. In this case, total deposits are dependent variable say (Y) and loan and advances is independent variable (X).

**Table : 4.16**

Regression Statistics					
Banks	Multiple R	R Square	Adjusted R	Standard Error	Observation
EBL	0.99	0.98	0.97	34.08	4
HBL	0.98	0.95	0.94	37.69	5
RBB	0.91	0.82	0.76	166.07	5
SCBNL	0.89	0.78	0.71	80.23	5

Source: Appendix 6

ANOVA						
Banks		df	SS	MS	F	Significance F
EBL	Regression	1	125967.24	125967.24	108.43	0.0091
	Residual	2	2323.45	1161.73		
	Total	3	128290.69			
HBL	Regression	1	85821.30	85821.30	60.42	0.0044
	Residual	3	4261.29	1420.43		
	Total	4	90082.58			
RBB	Regression	1	386330.78	386330.78	14.01	0.0333
	Residual	3	82733.85	27577.95		
	Total	4	469064.63			
SCBNL	Regression	1	70472.66	70472.66	10.95	0.0454
	Residual	3	19308.26	6436.09		
	Total	4	89780.92			

Bank		Coefficient	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
EBL	Intercept	110.085	106.928	1.030	0.411	349.989	570.160
		679.95	1.092	10.413	0.009	0.641	1.544
HBL	Intercept	215.397	105.830	2.035	0.135	121.401	552.196
	X Variable 2	0.935	0.120	7.773	0.004	0.552	1.317
RBB	Intercept	530.415	338.933	1.565	0.216	-	1609.05

	t					548.22 2	2
	X Variable 3	1.019	0.272	3.743	0.033	0.153	1.886
<b>SCBN L</b>	Intercep t	154.512	173.089	0.893	0.438	- 396.33 5	705.359
	X Variable 4	1.219	0.368	3.309	0.045	0.047	2.391

From the above table we can find that the regression analysis between deposits and loan and advances of EBL, HBL, RBB and SCBNL are 0.99, 0.98, 0.91 and 0.89 respectively. This shows the positive relationship between these two variables i.e. loan and advances and deposits of sample banks. By considering coefficient of determination ( $R^2$ ), the value of  $R^2$  is 0.98, 0.95, 0.82 and 0.78 in case of sample banks EBL, HBL, RBB and SCBNL.

The value of  $R^2$  of EBL is 0.98, which means 98% of loan and advances decision is determined by deposit and only 2% loan and advances depend upon other variables. The value of  $R^2$  of HBL is 0.95, which means that only 95% of loan and advances is determined by deposit and 5% loan and advances depend upon other variables. The value of  $R^2$  of RBB is 0.82, which means that only 82% of loan and advances is determined by deposit and 8% loan and advances depends upon other variable. The value of  $R^2$  of SCBNL is 0.78, which means that only 78% of loan and advances is determined by deposit and 22% loan and advances depends upon other variables.

The intercept denoted as beta not in the regression. The  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  and  $\beta_4$  slope has value 1.092, 0.935, 1.019 and 1.219 which shows the positive relation between  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$  slope and dependent variables.

The P values of EBL, HBL, RBB and SCBNL (i.e. 0.0091, 0.0044, 0.0333 and 0.0454). Confidence level was taken 95% so our significance level is 5% (0.05). All sample banks (EBL, HBL, RBB & SCBNL) has lower value than significance level (i.e.  $0.05 > 0.0091, 0.0044, 0.0333 \& 0.0454$ ) which shows significant relationship between deposit and loan and advances.

#### 4.1.6.2 Analysis between deposit and investment

The following table describes the relationship between total deposits and investment of EBL, HBL, RBB and SCBNL with comparatively under five-year period. In this case, total deposits are dependent variable say (Y) and investment is independent variable (X).

**Table: 4.17**

Regression Statistics					
Banks	Multiple R	R Square	Adjusted R	Standard Error	Observation
EBL	0.853	0.728	0.637	130.440	5.000
HBL	0.112	0.013	-0.317	172.194	5.000
RBB	0.796	0.633	0.510	239.600	5.000
SCBNL	0.367	0.135	-0.154	160.918	5.000

Source: Appendix 5

ANOVA						
Banks		df	SS	MS	F	Significance F
EBL	Regression	1	136411.099	136411.099	8.017	0.066
	Residual	3	51043.944	17014.648		
	Total	4	187455.043			
HBL	Regression	1	1130.562	1130.562	0.038	0.858
	Residual	3	88952.022	29650.674		
	Total	4	90082.583			
RBB	Regression	1	296839.933	296839.933	5.171	0.108
	Residual	3	172224.699	57408.233		
	Total	4	469064.632			
SCBNL	Regression	1	12097.530	12097.530	0.467	0.543
	Residual	3	77683.387	25894.462		
	Total	4	89780.916			

Bank s		Coefficient s	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
EBL	Intercept	612.493	200.251	3.059	0.055	-24.795	1249.781
	X Variable 1	2.805	0.991	2.831	0.066	-0.348	5.957
HBL	Intercept	933.139	489.408	1.907	0.153	-624.376	2490.654

	X Variable 2	0.555	2.840	0.195	0.858	-8.485	9.594
<b>RBB</b>	Intercept	1114.838	306.639	3.636	0.036	138.976	2090.701
	X Variable 3	1.467	0.645	2.274	0.108	-0.586	3.520
<b>SCBN L</b>	Intercept	826.684	178.773	4.624	0.019	257.747	1395.621
	X Variable 4	-0.823	1.204	- 0.684	0.543	-4.653	3.008

From the above table we can find that the regression analysis between deposits and investment of EBL, HBL, RBB and SCBNL are 0.853, 0.112, 0.796 and 0.367 respectively. This shows the positive relationship between these two variables i.e. investment and deposits of sample banks. By considering coefficient of determination ( $R^2$ ), the value of  $R^2$  is 0.728, 0.013, 0.633 and 0.135 in case of sample banks EBL, HBL, RBB and SCBNL.

The value of  $R^2$  of EBL is 0.728 which means 72.80% of loan and advances decision is determined by deposit and only 27.20% investment depend upon other variables. The value of  $R^2$  of HBL is 0.013, which means that only 1.30 % of investment is determined by deposit and 98.70% investment depend upon other variables. The value of  $R^2$  of RBB is 0.633, which means that only 63.30% of investment is determined by deposit and 36.70% investment depends upon other variable. The value of  $R^2$  of SCBNL is 0.135, which means that only 13.50% of loan and advances is determined by deposit and 86.50% loan and advances depends upon other variables.

The intercept denoted as beta not in the regression. The  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$  slope has value 2.805, 0.555 and 1.467 which shows the positive relation between  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$  slope and dependent variables.  $\beta_4$  slope has negative value i.e. -0.823 which shows the negative relation between  $\beta_4$  and dependent variables.

The P values of EBL, HBL, RBB and SCBNL (i.e. 0.066, 0.858, 0.108 and 0.543). Confidence level was taken 95% so our significance level is 5% (0.05). All sample banks (EBL, HBL, RBB & SCBNL) has higher value than significance level (i.e.  $0.05 < 0.066, 0.858, 0.108$  and  $0.543$ ) which shows insignificant relationship between deposit and investment.

## 4.2 Major Findings of the study

In this research work, all the data have been obtained from secondary sources. Data have been analyzed by using financial as well as statistical tools. This topic focus on the major findings of the study, which are derived from the analysis of deposit of EBL, HBL, RBB and SCBNL with comparatively applying five years' data from 2015/16 to 2019/20.

- 1) The above result shows that the liquidity position of RBB is comparatively better than EBL, HBL and SCBNL ( i.e.  $9.21\% < 18.99\%$ ,  $9.94\%$  and  $10.88\%$ ). It means the liquidity position of RBB is lower than other sample banks. It shows the lower position regarding the meeting of demand of its customer on their deposit at any time than EBL, HBL & SCBNL. The ratio of RBB is less consistent and EBL, HBL & SCBNL is more consistent.
- 2) The average study of cash and bank balance to current assets ratio of EBL is higher than HBL, RBB & SCBNL (i.e.  $18.18\% > 10.13\%$ ,  $11.09\%$  and  $10.75\%$ ). It shows that HBL, RBB & SCBNL has taken more risk to meet the daily requirement of its customer's deposit than EBL. The ratio of EBL is more consistent and other sample banks are less consistent ratio.
- 3) RBB has invested more portions of current assets on government securities than EBL, HBL and SCBNL according to average study ( i.e.  $23.84\% > 13.39\%$ ,  $7.66\%$  and  $11.48\%$ ). It means RBB is more sensitive in investment in productive sector than other sampled banks. Analysis shows that investment on government securities of other sampled banks is more consistent and RBB has less consistent ratio.
- 4) The mean ratio of loan and advances to total deposit of SCBNL is lower than that of EBL, HBL & RBB (i.e.  $64.13\% < 80.95\%$ ,  $84.23\%$  and  $68.25\%$ ). The ratio of SCBNL is more consistent and other sampled banks has less consistent ratio.
- 5) RBB has mobilized its collected deposits on investment better than that of EBL, HBL & SCBNL (i.e.  $24.81\% > 16.52\%$ ,  $16.62\%$  and  $20.37\%$ ). The ratio of RBB is more consistent and other sampled banks has less consistent ratio.
- 6) The loan and advances to total working fund ratio describes that SCBNL position is better than EBL, HBL & RBB (i.e.  $66.67\% < 88.76\%$ ,  $86.10\%$  and  $84.72\%$ ). The variability in ratio of EBL, HBL & RBB is slightly higher than SCBNL.
- 7) The mean ratio of investment on government securities to total working fund ratio of RBB is higher than that EBL, HBL & SCBNL (i.e.  $25.43\% > 15.16\%$ ,  $7.8\%$  and  $11.36\%$ ). RBB seems more successful to invest its working fund in government securities than other sampled banks. The variability in the ratio of EBL, HBL & SCBNL is higher than that of RBB.

- 8) The mean ratio of investment on share and debenture to total working fund of RBB seems slightly high than that EBL, HBL & SCBNL (i.e. 0.31% > 0.19%, 0.11% and 0.09%). RBB has less consistent ratio than EBL, HBL & SCBL.
- 9) From the average study of return on equity RBB seems more successful to earn profit on loan and advances than EBL, HBL & SCBNL (i.e. 59.66% > 41.31%, 31.39% and 32.80%). The mean ratio of RBB is higher than other sampled bank. The variability in the ratio of RBB is less consistent than other sample banks.
- 10) SCBNL has slightly higher mean ratio than EBL, HBL & RBB to return on investment (i.e. 2.71% > 2.21%, 2.37% and 2.53%). The variability in the ratio of SCBNL is less consistent than other sampled banks.
- 11) The growth rate on deposit of SCBNL is higher than other sampled banks EBL, HBL & RBB. The growth rate of SCBNL is 14.27% and EBL, HBL & RBB has 11.94%, 9.44% and 12.1%
- 12) From the analysis of growth of loan and advances, RBB seems too weak in increasing loan and advances than that EBL, HBL & SCBNL. The growth ratio of loan and advances of RBB is 10.39% and EBL, HBL & SCBNL has 13.53%, 12.03% and 16.22%.
- 13) RBB seems better in increasing total investment in comparison of EBL, HBL & SCBNL. Its growth rate is 14.48% which is higher than other sampled banks.
- 14) The yearly growth rate of net profit of RBB is higher and better than EBL, HBL & SCBNL. The growth rate is 65.11% and EBL has 9.82%, HBL has 7.53% and SCBNL has 11.36%.
- 15) The analysis of correlation and regression between deposit and loan and advances the value of EBL, HBL, RBB & SCBNL has lower than significance level which shows the significant relationship between deposit and loan and advances (i.e. 0.05 > 0.0091, 0.0044, 0.0333 and 0.0454).
- 16) The analysis of correlation between deposit and loan and advances shows that EBL, HBL, RBB and SCBNL all sample banks has highly positive relation between total deposit and loan and advances. This can be interpreting that if deposit increase then loan and advances will also increase (i.e. 0.99, 0.98, 0.91 and 0.89).
- 17) The analysis of regression between deposit and investment it shows the value of EBL, HBL, RBB and SCBNL has higher than significance level (i.e. 0.05 < 0.066, 0.858, 0.108 and 0.543) which shows insignificant relationship between deposit and investment.



### 4.3 Discussion

In this section researcher evaluates and interprets the results. Here the researcher examines every aspects of the result in terms of related theories and empirical findings of other researchers.

The analysis of financial analysis this study shows the better position of RBB which holds the good liquidity position, investment on government securities than EBL, HBL and SCBNL. The previous research done by Roy (2014) also shows that the RBB has good deposit collection, investment on government securities than NBL. It concludes that RBB has good deposit collection and higher ability to meet the cash requirement than other sampled banks.

In the financial analysis of cash and bank balance to current assets EBL has hold higher position than that of HBL, RBB and SCBNL. In previous researches Shrestha (2020), Joshi (2015) has concluded that EBL has higher position of cash and bank balance to current assets which show the positive and similar findings with them.

While analyzing investment on share and debenture RBB holds the better position comparison to EBL, HBL and SCBNL. In previous research Shrestha (2015) shows that the SCBNL has better position on investment on government securities and share and debenture. The research has a great difference in time period with the study. This study is conducted in year 2020 and the research has done in 2015.

The analysis of ROE and ROI RBB and SCBNL has the better position comparison to EBL and HBL. In the previous research Shrestha (2020) it shows the better position of NIBL and EBL. This research was only focused on total fixed deposit and this study is based or focuses on total deposit so the result can be difference in comparison.

The analysis of loan and advances to total deposit and investment to total deposit the position of RBB and SCBNL is better than that EBL, HBL. In the previous research shows Shrestha (2020) EBL has higher position in loan and advances and HBL has good position in investment to total fixed deposit. This discrepancy arises because the research has focused on fixed deposit only but this study is based on total deposit. As well as the taken sample banks are different.

The analysis of growth of deposit SCBNL seems in the better position comparison to EBL, HBL and RBB. The analysis of growth in loan and advances RBB seems in the better position comparison to EBL, HBL and SCBNL. As well as the analysis of growth of net profit RBB also seems in the better position than EBL, HBL and SCBNL. In order to previous research Shrestha (2020) shows that the EBL has better position in growth of deposit, loan and advances and net profit. This differences caused by the time period that this study takes and the sample banks that this study

takes. The sample banks of this study is EBL, HBL, RBB and SCBNL as well as previous research has taken EBL, HBL and NIBL as the sample bank. The previous research has only focused on fixed deposit and this study has embodied total deposit.

The analysis of growth in investment RBB has better position but the previous research Shahi (2014) shows that NBL has better growth than all joint venture banks. The differences in result caused by the sample that has been taken by the previous research and this study. The previous research has taken the sample bank NBL comparison to joint venture banks and this study embodied selected sample banks EBL, HBL, RBB and SCBNL.

## CHAPTER-5

### SUMMARY, CONCLUSION

#### 5.1 Summary

Principally, the entire research work focuses on the comparative study on deposit mobilization of four commercial banks; Everest Bank Ltd., Himalayan Bank Ltd, RastriyaBanijya Bank and Standard Chartered Bank Nepal Ltd. These three joint venture and one government owned bank ate composed as per their deposit activities by taking five years data from the year 2015/16 to 2019/20.

The study is mainly study based on secondary sources. All data are taken from concerned banks annual report, literature publication, balance sheet, profit and loss account, previous thesis report, different websites, related books and booklets, journals and articles. After collecting data from different sources, it has been analyzed by using financial and statistical tools. Findings are drawn by applying various financial tools viz. liquidity ratio, assets management ratio, profitability ratio, growth ratio, sources and uses of deposit. Similarly, statistical tools have been used viz. mean, standard deviation, coefficient of variation, coefficient of correlation and least square method. In an attempt to fulfill the objectives of the research work, all secondary data are compiled, processed and tabulated as per necessity and figures, diagrams, different types of chart have also been used.

This study suffers from different limitations; it considers four banks only and time and resources are the constraints of the study. Therefore, the study may not be generalized in all cases and accuracy depends upon the data collected and provided by the organization. Researcher wants to prove that this research is an original one and should be the foundation for the future researches to know about the problem of deposit procedures of commercial banks. The bank should make continuous efforts to explore to explore new, competitive and high yielding investment opportunities to optimize their investment portfolio. The main source of commercial banks is collecting deposit form public who do not need that deposit recently.

#### 5.2 Conclusion

From the analysis of the liquidity position of EBL, HBL, RBB and SCBNL, it can be concluded that the liquidity position of RBB is not satisfactory whereas EBL, HBL and SCBNL is comparatively better than that of RBB. RBB has made enough investment in government securities than other sample banks. Liquidity ratio of EBL, HBL and SCBNL is more consistent than that of RBB. In view of assets management side of sampled banks, it can be concluded that SCBNL is in weak position in mobilizing the collected deposits as loan and advances.RBB is successful in mobilizing its collected deposits on investment better than that of EBL, HBL and SCBNL. RBB has also invested its funds efficiently on government securities and

share and debenture better than that of EBL, HBL and SCBNL. Assets management ratio of EBL, HBL and SCBNL is more consistent than that of RBB.

SCBNL profit earning capacity on loan and advances and working fund is better than that of EBL, HBL and RBB. The return ratio of EBL, HBL and RBB is more consistent than that of SCBNL. HBL seems stronger in earning interest from working fund than that of EBL, RBB and SCBNL and it has also been successful to collect its working fund from less expensive sources. Liquidity risk of EBL is higher than that of HBL, RBB and SCBNL which indicates the lower degree risk and variability than other sampled banks. SCBNL has maintained lower credit risk than that of EBL, HBL and RBB. From the growth ratio of total deposits, it can be concluded that SCBNL has more collected capacity than EBL, HBL and RBB. Growth rate of loan and advances of RBB is too weak in comparison to EBL, HBL and SCBNL. Growth rate of total investment of EBL, HBL and SCBNL seems too weak than RBB whereas it has better position than that of sampled banks. Growth rate of net profit RBB seems in better position than that of EBL, HBL and SCBNL. EBL has better in capital fund. RBB has been more successful to collect deposit than that of EBL, HBL and SCBNL. SCBNL borrowing is an indication that the internal fund management of SCBNL is in satisfactory position towards meeting liquidity needs, EBL has more fund as liquid and RBB is more successful in making investment in different sectors better than that of EBL, HBL and SCBNL. SCBNL also provides more funds as loan and advances.

Correlation coefficient between deposit and total investment and deposits and loan and advances of RBB is EBL indicates the positive relationship or there is high degree of positive correlation. In most of the case it has been found that loan and advances and investment decisions depends upon other variables. From the calculation of regression between deposit and loan and advances it can be concluded that EBL, HBL, RBB and SCBNL banks has significant values. By considering the trend values, RBB and SCBNL seems to be more successful to utilize its total collected deposits in investment than EBL and HBL. Deposit utilization trend in relation to loan and advances of RBB and EBL is proportionately better than HBL and SCBNL.

### **5.3 Implication**

The banks can make use of these implication and recommendations to overcome their weakness, inefficiency and improve their present deposit and overall investment policy. The ratio of cash and bank balance to total deposit and current assets EBL is higher than RBB, HBL and SCBNL. It means EBL has idle cash and bank balance. It may decrease over all profit of bank. So EBL is recommended to activate its idle cash and bank balance in productive sector. The affecting factors of liquidity position may be interest rate, supply and demand position of loan and advances as well as savings, investment situation, Central bank directives, capability of management, lending policies, strategic planning and funds flow situations. Banks are suggested not to be

surrounded and limited within the interest and status of big clients like multinational companies, manufacturer and exporter. The banks have to preserve the banking and saving habits of the low- income people of the kingdom. Because the main source of the collecting deposit of commercial banks are from public sector. It is also recommended to collect more funds as deposits through different schemes from different level of public, through assortment of deposit schemes and facilities like housing schemes, education loan, vehicle loan and deposit for house wife etc.

From the analysis, EBL, HBL and SCBNL have not invested more funds in government securities in comparison to RBB. The bank has higher cash and bank balance than RBB. Therefore, it is recommended to invest in government securities instead of keeping idle and is not considered good from profitability point of view. Investment on those securities issued by government is free of risk, highly and highly saleable in the market place. The recovery of the loan is most challenging job for the banks. Increasing in non-performing assets leads to failure of commercial banks in recovery of loan. Therefore it has been recommended that EBL, HBL, RBB and SCBNL should follow liberal lending, policy when sanction of loan and advances have been done with adequate guarantee and should implement sound collection policy, with proper identification of credit worthiness of customer, continual follow up and legal procedure if required. Therefore, the bank must be very careful while formulating credit policy. The credit policy is also associated with some legal procedure. EBL, HBL and SCBNL is recommended to increase their investment on share and debenture on different sector to earn more interest and to increase their net profit.

Growth of commercial bank helps to develop the economic growth of the country. So the services of the commercial banks should be expanding all over the country through collection of idle saving from every territory of the country and should be utilized for income generation purpose. Government should encourage the commercial banks to expand banking service in rural areas and communities without making unfavorable impact in their profit. All banks should be careful in increasing profit of the bank to maintain the confidence of shareholders, depositors and all its customers. EBL, HBL and SCBNL profitability position is not better than that of RBB. So EBL, HBL and SCBNL is strongly recommended to utilize risky assets and shareholders fund to gain high amount of profit. NRB has given directives to commercial banks to invest their certain percentage of investment in deprived and priority sector. All sampled banks have earned profit from profitable and private sector. So, they are recommended to strictly follow up the directives issued by NRB and should make investment on public utilities sector like health, sanitation, education, drinking water, agriculture etc.

Portfolio management is important for every investor. In each investment, risk is involved. The greater the variability of returns of those projects, the more will be riskier. So, it should be kept in mind while making investment that project should be

selected which will be low riskier and highly profitable. So, portfolio management helps the investors in making investment in different areas by considering their risk factor. Portfolio management of bank assets means allocation of fund into different components of banking assets in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So portfolio condition of EBL, HBL, RBB and SCBNL should be examined carefully from time to time. Banks should make continuous efforts to explore innovative, competitive and high yielding investment opportunities to optimize their investment portfolio. The minimum bank balance and the amount needed to open an account in the banks are very high. So, lower level people and small depositors are very far from banking facilities providing by joint ventures banks, so all the banks should open its door to small depositors for promoting and mobilizing small depositors' funds.

### **Implications for further studies**

This study contains numerical secondary data to analyze quantitative factors to know deposit mobilization of commercial banks with reference EBL, HBL, RBB and SCBNL. The suggestions for further research can be presented in following research area:

- 1) Further research should focus on one deposit types like fixed deposit, saving deposit and analyze the trend of deposit.
- 2) The research can be conducted with government owned banks or joint venture banks only.
- 3) The research could be conducted with taking longer time period.
- 4) This research is based on secondary data only so research can be conducted with the help of primary data base also.
- 5) This study has taken only four samples of banks so research can be conducted taking more sample size.
- 6) This result shows the deposit mobilization of commercial banks, further research can be conducted while examining the impact of deposit mobilization in profitability of commercial banks.

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## Appendex-1

### Cash and bank balance to current assets ratio

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Cash & bank balance	206.02	183.2264	222.2975	238.5307	230.9787
	Total deposit	937.3548	950.9446	1155.1171	1295.6815	1435.4548
	<b>Ratio(%)</b>	<b>21.9789</b>	<b>19.2678</b>	<b>19.24</b>	<b>18.4097</b>	<b>16.091</b>
2	<b>HBL</b>					
	Cash & bank balance	63.7664	73.5706	101.4878	101.1477	187.4999
	Total deposit	873.3579	928.8111	989.8879	1093.8706	1252.6438
	<b>Ratio(%)</b>	<b>7.3013</b>	<b>7.9209</b>	<b>10.2525</b>	<b>9.2468</b>	<b>14.9683</b>
3	<b>RBB</b>					
	Cash & bank balance	219.5514	163.18	96.4549	127.3349	179.8288
	Total deposit	1462.0763	1535.8097	1640.5661	1891.4085	2307.8887
	<b>Ratio(%)</b>	<b>15.0164</b>	<b>10.625</b>	<b>5.8794</b>	<b>6.7323</b>	<b>7.7919</b>
4	<b>SCBNL</b>					
	Cash & bank balance	31.7297	81.1669	88.1366	123.5761	61.9595
	Total deposit	557.2718	638.7289	670.6105	757.3153	950.2084
	<b>Ratio(%)</b>	<b>5.6938</b>	<b>12.708</b>	<b>13.1427</b>	<b>16.3177</b>	<b>6.5206</b>

**Cash and bank balance to current assets ratio**

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Cash & bank balance	206.02	183.226 4	222.2975	238.5307	230.9787
	Current Assets	910.7265	992.112 5	1235.155 2	1436.193 7	1518.140 6
	<b>Ratio(%)</b>	<b>22.6215</b>	<b>18.4683</b>	<b>17.9975</b>	<b>16.6085</b>	<b>15.2146</b>
2	<b>HBL</b>					
	Cash & bank balance	63.7664	73.5706	101.4878	101.1477	187.4999
	Current Assets	771.03	853.096 4	1010.503 6	1122.434 1	1328.194 6
	<b>Ratio(%)</b>	<b>8.2703</b>	<b>8.6239</b>	<b>10.0433</b>	<b>9.0115</b>	<b>14.1169</b>
3	<b>RBB</b>					
	Cash & bank balance	219.5514	163.18	96.4549	127.3349	179.8288
	Current Assets	1105.175 3	1234.78 1	1594.387 6	1559.914 6	2203.940 2
	<b>Ratio(%)</b>	<b>19.8658</b>	<b>13.2153</b>	<b>6.0497</b>	<b>8.1629</b>	<b>8.1594</b>
4	<b>SCBNL</b>					
	Cash & bank balance	31.7297	81.1669	88.1366	123.5761	61.9595
	Current Assets	413.4494	608.155 6	775.5817	806.1817	1023.757 5
	<b>Ratio(%)</b>	<b>7.6744</b>	<b>13.3464</b>	<b>11.3639</b>	<b>15.3286</b>	<b>6.0522</b>

**Investment on Government securities to currents Assets ratio**

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Investment on Govt. Securities	103.6177	85.3796	144.8288	205.7514	317.7729
	Current Assets	910.7265	992.1125	1235.1552	1436.1937	1518.1406
	<b>Ratio(%)</b>	<b>11.3775</b>	<b>8.6058</b>	<b>11.7256</b>	<b>14.3262</b>	<b>20.9317</b>
2	<b>HBL</b>					
	Investment on Govt. Securities	94.1227	79.6562	53.7225	62.8788	77.3302
	Current Assets	771.03	853.0964	1010.5036	1122.4341	1328.1946
	<b>Ratio(%)</b>	<b>12.2074</b>	<b>9.3373</b>	<b>5.3164</b>	<b>5.602</b>	<b>5.8222</b>
3	<b>RBB</b>					
	Investment on Govt. Securities	291.7132	266.8502	225.5159	379.4322	721.3452
	Current Assets	1105.1753	1234.781	1594.3876	1559.9146	2203.9402
	<b>Ratio(%)</b>	<b>26.3952</b>	<b>21.6111</b>	<b>14.1444</b>	<b>24.3239</b>	<b>32.7298</b>
4	<b>SCBNL</b>					
	Investment on Govt. Securities	72.8134	45.3754	42.2047	112.66	126.9479
	Current Assets	413.4494	608.1556	775.5817	806.1817	1023.7575
	<b>Ratio(%)</b>	<b>17.6112</b>	<b>7.4611</b>	<b>5.6976</b>	<b>13.9747</b>	<b>12.4002</b>

## Appendix-2

### Loan & Advance to total deposit ratio

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Loan & Advances	679.9511	772.8776	941.8225	1120.0718	1190.6924
	Total deposit	937.3548	950.9446	1155.1171	1295.6815	1435.4548
	<b>Ratio(%)</b>	<b>72.5394</b>	<b>81.2747</b>	<b>81.5348</b>	<b>86.4465</b>	<b>82.9488</b>
2	<b>HBL</b>					
	Loan & Advances	677.4598	763.9426	861.6021	974.7007	1067.2654
	Total deposit	873.3579	928.8111	989.8879	1093.8706	1252.6438
	<b>Ratio(%)</b>	<b>77.5695</b>	<b>82.2495</b>	<b>87.0404</b>	<b>89.1057</b>	<b>85.201</b>
3	<b>RBB</b>					
	Loan & Advances	817.7817	1021.6155	1214.6014	1465.6	1552.546
	Total deposit	1462.0763	1535.8097	1640.5661	1891.4085	2307.8887
	<b>Ratio(%)</b>	<b>55.9329</b>	<b>66.5197</b>	<b>74.0355</b>	<b>77.4875</b>	<b>67.2713</b>
4	<b>SCBNL</b>					
	Loan & Advances	313.0295	392.6369	466.9618	556.3359	569.3775
	Total deposit	557.2718	638.7289	670.6105	757.3153	950.2084
	<b>Ratio(%)</b>	<b>56.1718</b>	<b>61.4716</b>	<b>69.6323</b>	<b>73.4616</b>	<b>59.9192</b>

### Total investment to total deposit ratio

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Total Investment	181.9874	119.6456	155.5419	217.6968	292.1357
	Total deposit	937.3548	950.9446	1155.117 1	1295.681 5	1435.454 8
	<b>Ratio(%)</b>	<b>19.415</b>	<b>12.5818</b>	<b>13.4655</b>	<b>16.8017</b>	<b>20.3514</b>
2	<b>HBL</b>					
	Total Investment	193.0607	179.2927	118.5226	169.7112	190.1725
	Total deposit	873.3579	928.8111	989.8879	1093.870 6	1252.643 8
	<b>Ratio(%)</b>	<b>21.1056</b>	<b>19.3035</b>	<b>11.9733</b>	<b>15.5147</b>	<b>15.1817</b>
3	<b>RBB</b>					
	Total Investment	437.383	382.7647	249.0548	405.9431	751.769
	Total deposit	1462.076 3	1535.809 7	1640.566 1	1891.408 5	2307.888 7
	<b>Ratio(%)</b>	<b>29.9152</b>	<b>24.9227</b>	<b>15.181</b>	<b>21.4625</b>	<b>32.5739</b>
4	<b>SCBNL</b>					
	Total Investment	230.9462	156.3203	46.6099	115.3516	130.5868
	Total deposit	557.2718	638.7289	670.6105	757.3153	950.2084
	<b>Ratio(%)</b>	<b>41.4423</b>	<b>24.4736</b>	<b>6.9504</b>	<b>15.2317</b>	<b>13.743</b>

### Loan and Advances to total working fund ratio

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Loan & Advances	679.951 1	772.877 6	941.822 5	1120.07 18	1190.69 24
	Total working fund(CA-CL)	805.085 7	904.235	1124.39 98	1251.58 08	1313.85 58
	<b>Ratio(%)</b>	<b>84.457</b>	<b>85.4731</b>	<b>83.7622</b>	<b>89.4926</b>	<b>90.6258</b>
2	<b>HBL</b>					
	Loan & Advances	677.459 8	763.942 6	861.602 1	974.700 7	1067.26 54
	Total working fund(CA-CL)	749.995 5	832.804 3	992.356 7	1094.65 98	1292.74 42
	<b>Ratio(%)</b>	<b>90.3285</b>	<b>91.7313</b>	<b>86.8238</b>	<b>89.0414</b>	<b>82.5581</b>
3	<b>RBB</b>					
	Loan & Advances	817.781 7	1021.61 55	1214.60 14	1465.6	1552.54 6
	Total working fund(CA-CL)	998.436	1145.90 71	1509.44 07	1490.50 6	2105.54 64
	<b>Ratio(%)</b>	<b>81.9063</b>	<b>89.1534</b>	<b>80.467</b>	<b>98.329</b>	<b>73.736</b>
4	<b>SCBNL</b>					
	Loan & Advances	313.029 5	392.636 9	466.961 8	556.335 9	569.377 5
	Total working fund(CA-CL)	399.105 2	591.439 1	759.371 5	785.608 3	1003.46 1
	<b>Ratio(%)</b>	<b>78.4328</b>	<b>66.3867</b>	<b>61.4932</b>	<b>70.8159</b>	<b>56.7414</b>

**Where:**

Working fund = Current Assets – Current Liabilities

**Investment on Government Securities to total working fund ratio**

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Investment on Govt. Securities	103.6177	85.3796	144.8288	205.7514	317.7729
	Total working fund(CA-CL)	805.0857	904.235	1124.3998	1251.5808	1313.8558
	<b>Ratio(%)</b>	<b>12.8704</b>	<b>9.4422</b>	<b>12.8805</b>	<b>16.4393</b>	<b>24.1863</b>
2	<b>HBL</b>					
	Investment on Govt. Securities	94.1227	79.6562	53.7225	62.8788	77.3302
	Total working fund(CA-CL)	749.9955	832.8043	992.3567	1094.6598	1292.7442
	<b>Ratio(%)</b>	<b>12.5498</b>	<b>9.5648</b>	<b>5.4136</b>	<b>5.7441</b>	<b>5.9819</b>
3	<b>RBB</b>					
	Investment on Govt. Securities	291.7132	266.8502	225.5159	379.4322	721.3452
	Total working fund(CA-CL)	998.436	1145.9071	1509.4407	1490.506	2105.5464
	<b>Ratio(%)</b>	<b>29.217</b>	<b>23.2872</b>	<b>14.9404</b>	<b>25.4566</b>	<b>34.2593</b>
4	<b>SCBNL</b>					
	Investment on Govt. Securities	72.8134	45.3754	42.2047	112.66	126.9479
	Total working fund(CA-CL)	399.1052	591.4391	759.3715	785.6083	1003.461
	<b>Ratio(%)</b>	<b>18.2442</b>	<b>7.672</b>	<b>5.5578</b>	<b>14.3405</b>	<b>12.651</b>



**Investment on Share and Debenture to total working fund ratio**

S. N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Investment on Share& Debenture	0.7585	0.7585	0.276	0.276	0.9423
	Total working fund(CA-CL)	805.0857	904.235	1124.3998	1251.5808	1313.8558
	<b>Ratio(%)</b>	<b>0.0942</b>	<b>0.0839</b>	<b>0.0245</b>	<b>0.0221</b>	<b>0.717</b>
2	<b>HBL</b>					
	Investment on Share& Debenture	2.0391	2.0391	0.0634	0.1748	0.2248
	Total working fund(CA-CL)	749.9955	832.8043	992.3567	1094.6598	1292.7442
	<b>Ratio(%)</b>	<b>0.2719</b>	<b>0.2448</b>	<b>0.0064</b>	<b>0.016</b>	<b>0.0174</b>
3	<b>RBB</b>					
	Investment on Share& Debenture	2.0585	2.7066	4.0195	6.3719	8.2239
	Total working fund(CA-CL)	998.436	1145.9071	1509.4407	1490.506	2105.5464
	<b>Ratio(%)</b>	<b>0.2062</b>	<b>0.2362</b>	<b>0.2663</b>	<b>0.4275</b>	<b>0.3906</b>
4	<b>SCBNL</b>					
	Investment on Share& Debenture	0.5599	0.5599	0.5599	0.5599	0.5599
	Total working fund(CA-CL)	399.1052	591.4391	759.3715	785.6083	1003.461
	<b>Ratio(%)</b>	<b>0.1403</b>	<b>0.0947</b>	<b>0.0737</b>	<b>0.0713</b>	<b>0.0558</b>

### Appendix-3

#### Return on Equity

S.N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Net profit after tax	17.3021	20.0625	25.8168	30.5412	25.1624
	Shareholder's Equity	27.426	46.0643	80.2686	80.2686	84.7021
	<b>Ratio(%)</b>	<b>63.09</b>	<b>43.55</b>	<b>32.16</b>	<b>38.05</b>	<b>29.71</b>
2	<b>HBL</b>					
	Net profit after tax	19.3591	21.7823	18.7561	27.6385	25.8672
	Shareholder's Equity	44.9915	64.9162	81.1453	85.2026	93.7228
	<b>Ratio(%)</b>	<b>43.03</b>	<b>33.76</b>	<b>23.11</b>	<b>32.44</b>	<b>24.6</b>
3	<b>RBB</b>					
	Net profit/loss	23.5529	27.7631	36.5927	50.4658	43.7732
	Shareholder's Equity	29.321	48.3641	80.2632	80.2686	84.0231
	<b>Ratio(%)</b>	<b>80.32</b>	<b>57.4</b>	<b>45.59</b>	<b>62.87</b>	<b>52.1</b>
4	<b>SCBNL</b>					
	Net profit after tax	12.9249	14.216	21.899	24.3466	19.8739
	Shareholder's Equity	28.1243	40.0572	80.1143	80.1143	80.1143
	<b>Ratio(%)</b>	<b>45.96</b>	<b>35.49</b>	<b>27.33</b>	<b>30.39</b>	<b>24.81</b>

### Return on Investment

S.N	Name of the Banks	Fiscal Year				
		2015/16	2016/17	2017/18	2018/19	2019/20
1	<b>EBL</b>					
	Net profit/loss	17.3021	20.0625	25.8168	30.5412	25.1624
	Total working fund(CA-CL)	805.0857	904.235	1124.3998	1251.5808	1313.8558
	<b>Ratio(%)</b>	<b>2.15</b>	<b>2.22</b>	<b>2.3</b>	<b>2.44</b>	<b>1.92</b>
2	<b>HBL</b>					
	Net profit/loss	19.3591	21.7823	18.7561	27.6385	25.8672
	Total working fund(CA-CL)	749.9955	832.8043	992.3567	1094.6598	1292.7442
	<b>Ratio(%)</b>	<b>2.58</b>	<b>2.62</b>	<b>1.89</b>	<b>2.52</b>	<b>2.23</b>
3	<b>RBB</b>					
	Net profit/loss	23.5529	27.7631	36.5927	50.4658	43.7732
	Total working fund(CA-CL)	998.436	1145.9071	1509.4407	1490.506	2105.5464
	<b>Ratio(%)</b>	<b>2.36</b>	<b>2.42</b>	<b>2.42</b>	<b>3.39</b>	<b>2.08</b>
4	<b>SCBNL</b>					
	Net profit/loss	12.9249	14.216	21.899	24.3466	19.8739
	Total working fund(CA-CL)	399.1052	591.4391	759.3715	785.6083	1003.461
	<b>Ratio(%)</b>	<b>3.24</b>	<b>2.4</b>	<b>2.88</b>	<b>3.1</b>	<b>1.98</b>

#### Appendix-4

##### Growth ratio of Total deposit

Banks	Total Deposit					Growth Rate(%)
	2015/16	2016/17	2017/18	2018/19	2019/20	
<b>EBL</b>	937.35	950.94	1155.1171	1295.68	1435.45	<b>11.24</b>
<b>HBL</b>	873.36	928.81	989.89	1093.8706	1252.64	<b>9.44</b>
<b>RBB</b>	1462.08	1535.81	1642.1	1892.55	2309.03	<b>12.1</b>
<b>SCBNL</b>	557.27	638.73	670.61	757.32	950.21	<b>14.27</b>

##### Growth ratio of Loan and advances

Banks	Total Deposit					Growth Rate(%)
	2015/16	2016/17	2017/18	2018/19	2019/20	
<b>EBL</b>	679.55	772.88	941.82	1120.07	1128.97	<b>13.53</b>
<b>HBL</b>	677.46	736.94	861.6	974.7	1067.27	<b>12.03</b>
<b>RBB</b>	817.78	1021.62	1465.6	1552.55	1214.6	<b>10.39</b>
<b>SCBNL</b>	312.03	392.64	466.96	556.34	569.36	<b>16.22</b>

##### Growth ratio of Total Investment

Banks	Total Deposit					Growth Rate(%)
	2015/16	2016/17	2017/18	2018/19	2019/20	
<b>EBL</b>	181.99	119.65	155.52	217.49	291.93	<b>12.54</b>
<b>HBL</b>	193.06	179.29	118.5	169.71	230.17	<b>4.49</b>
<b>RBB</b>	437.68	382.76	249.57	405.94	751.77	<b>14.48</b>
<b>SCBNL</b>	230.95	156.32	46.61	11.35	130.59	<b>-13.28</b>

##### Growth ratio of Net Profit

Banks	Total Deposit					Growth Rate(%)
	2015/16	2016/17	2017/18	2018/19	2019/20	
<b>EBL</b>	17.3	20.06	25.82	30.54	25.16	<b>9.82</b>
<b>HBL</b>	19.36	21.78	18.76	27.64	25.88	<b>7.53</b>
<b>RBB</b>	5.89	27.76	36.59	50.47	43.77	<b>65.11</b>
<b>SCBNL</b>	12.92	14.22	21.9	24.35	19.87	<b>11.36</b>

$$\text{Growth Percentage} = \frac{\text{Ending Value} - \text{Beginning Values}}{\text{Beginning Value}} \times 100$$

## Appendix 5

### Correlation between deposit and loan and advances

Banks	Correlation		
EBL		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.99	1
HBL		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.98	1
RBB		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.91	1
SCBNL		<i>Deposit</i>	<i>Loan &amp; advances</i>
	Deposit	1	
	Loan & advances	0.89	1

## Appendix 6

### Regression analysis of between deposit & loan and advances

	Regression Statistics				
<b>Banks</b>	<b>Multiple R</b>	<b>R Square</b>	<b>Adjusted R</b>	<b>Standard Error</b>	<b>Observation</b>
EBL	0.99	0.98	0.97	34.08	4
HBL	0.98	0.95	0.94	37.69	5
RBB	0.91	0.82	0.76	166.07	5
SCBNL	0.89	0.78	0.71	80.23	5

ANOVA						
<b>Banks</b>		<b>df</b>	<b>SS</b>	<b>MS</b>	<b>F</b>	<b>Significance F</b>
<b>EBL</b>	Regression	1	125967.24	125967.24	108.43	0.0091
	Residual	2	2323.45	1161.73		
	Total	3	128290.69			
<b>HBL</b>	Regression	1	85821.30	85821.30	60.42	0.0044
	Residual	3	4261.29	1420.43		
	Total	4	90082.58			
<b>RBB</b>	Regression	1	386330.78	386330.78	14.01	0.0333
	Residual	3	82733.85	27577.95		
	Total	4	469064.63			
<b>SCBNL</b>	Regression	1	70472.66	70472.66	10.95	0.0454
	Residual	3	19308.26	6436.09		
	Total	4	89780.92			

Bank		<i>Coefficien t</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P- value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
<b>EBL</b>	Intercept	110.085	106.928	1.030	0.411	-349.989	570.160
	679.95	1.092	0.105	10.41 3	0.009	0.641	1.544
<b>HBL</b>	Intercept	215.397	105.830	2.035	0.135	-121.401	552.196
	X Variable 2	0.935	0.120	7.773	0.004	0.552	1.317
<b>RBB</b>	Intercept	530.415	338.933	1.565	0.216	-548.222	1609.052
	X Variable 3	1.019	0.272	3.743	0.033	0.153	1.886
<b>SCBN L</b>	Intercept	154.512	173.089	0.893	0.438	-396.335	705.359
	X Variable 4	1.219	0.368	3.309	0.045	0.047	2.391

### Regression analysis between deposit and investment

Banks	Regression Statistics				
	Multiple R	R Square	Adjusted R	Standard Error	Observation
EBL	0.853	0.728	0.637	130.440	5.000
HBL	0.112	0.013	-0.317	172.194	5.000
RBB	0.796	0.633	0.510	239.600	5.000
SCBNL	0.367	0.135	-0.154	160.918	5.000

ANOVA						
Banks		<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
<b>EBL</b>	Regression	1	136411.099	136411.099	8.017	0.066
	Residual	3	51043.944	17014.648		
	Total	4	187455.043			
<b>HBL</b>	Regression	1	1130.562	1130.562	0.038	0.858
	Residual	3	88952.022	29650.674		

	Total	4	90082.583			
<b>RBB</b>	Regression	1	296839.933	296839.933	5.171	0.108
	Residual	3	172224.699	57408.233		
	Total	4	469064.632			
<b>SCBNL</b>	Regression	1	12097.530	12097.530	0.467	0.543
	Residual	3	77683.387	25894.462		
	Total	4	89780.916			

<b>Bank s</b>		<b>Coefficients</b>	<b>Standard Error</b>	<b>t Stat</b>	<b>P-value</b>	<b>Lower 95%</b>	<b>Upper 95%</b>
<b>EBL</b>	Intercept	612.493	200.251	3.059	0.055	-24.795	1249.781
	X Variable 1	2.805	0.991	2.831	0.066	-0.348	5.957
<b>HBL</b>	Intercept	933.139	489.408	1.907	0.153	-624.376	2490.654
	X Variable 2	0.555	2.840	0.195	0.858	-8.485	9.594
<b>RBB</b>	Intercept	1114.838	306.639	3.636	0.036	138.976	2090.701
	X Variable 3	1.467	0.645	2.274	0.108	-0.586	3.520
<b>SCBNL</b>	Intercept	826.684	178.773	4.624	0.019	257.747	1395.621
	X Variable 4	-0.823	1.204	-0.684	0.543	-4.653	3.008