DEPOSIT MOBILIZATION OF NEPALESE COMMERCIAL BANKS: A COMPARATIVE STUDY OF EVEREST BANK LIMITED AND SIDDHARTHA BANK LIMITED

A Dissertation submitted to the Office of the Dean, Faculty of Management, in partial fulfillment of the requirements for the Degree of Masters of Business Studies

by

Ajit Adhikari
Symbol No: 7306/18
Campus Roll No: 35/074
T.U. Registration No: 7-2-242-956-2011
People's Campus

Kathmandu
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Certification of Authorship

I hereby declare that I am the researcher of this thesis and that any assistance I have received in its preparation is fully acknowledged and is disclosed in this thesis. I have also cited all the sources from which I have obtained the data, ideas or words that are copied directly or paraphrased in this document. Sources are properly credited according to the standards for the professional publication.

I also certify that this research report was prepared by me for the purpose of partial fulfillment of requirements for the MBS degree of faculty of Management, Tribhuvan University.

Ajit Adhikari
01-12-2021

Report of Research Committee

Mr. Ajit Adhikari has defended research proposal entitled "**Deposit mobilization of Nepalese commercial banks: A comparative study of Everest bank limited and Siddhartha bank limited**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per and submit the thesis for evaluation.

Gopal Krishna Shrestha, Phd

Supervisor

Dissertation Proposal Defended Date

Rajan Bilas Bajracharya,
Supervisor

Dissertation Submitted Date

Gopal Krishna Shrestha, Phd
Head of Research Committee

Dissertation Viva Voce Date

Approval Sheet

This thesis entitled "**Deposit mobilization of Nepalese commercial banks: A comparative study of Everest bank limited and Siddhartha bank limited**" submitted by Mr. Ajit Adhikari to the faculty of management, Tribhuvan University, in partial requirements for the degree MBS (Master of Business studies) has been found satisfactory in scope and quality. Therefore, we accept this theory as part of the degree.

Dissertation Supervisor

Internal Examiner

External Examiner

Chairperson Research Committee

Acknowledgements

As a fulfillment of the partial requirement for the Masters of Business Studies (MBS) degree under Tribhuwan University, I have taken this thesis entitled "**Deposit mobilization of Nepalese commercial banks: A comparative study of Everest bank limited and Siddhartha bank limited**".

Firstly, I would like to express my heartfelt thanks to Tribhuvan University for providing us an opportunity to test our knowledge and understanding of new phenomena where we can widen up our horizon with experience, practical knowledge as well as theoretical knowledge.

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Ajit Adhikari

December, 2021

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Abbreviations

A.D.	:	Anna Domini
A/C	:	Account
AGM	:	Annual General Meeting
ATM	:	Automated Teller Machine
B.S.	:	Bikram Sambat
C. V.	:	Co-efficient of Variation
CBB	:	Cash and Bank Balance
CBs	:	Commercial banks
EBL	:	Everest Bank Limited
E Banking	:	Internet Banking
F/Y	:	Fiscal Year
Govt.	:	Government
i.e.	:	That is
Inv.	:	Investment
LA	:	Loan and Advance
LTD	:	Limited
NEPSE	:	Nepal Stock Exchange
NP	:	Net Profit
NPA	:	Non Performing Assets
NPAT	:	Net Profit After Tax
NPR	:	Nepalese Rupees
NRB	:	Nepal Rastra Bank
P.E	:	Probable Error
POS	:	Point of Sale
r	:	Correlation Coefficient
Rs.	:	Rupees
S D	:	Standard Deviation
SBL	:	Siddhartha Bank Limited
SCT	:	Smart Choice Technology
Sec.	:	Securities
TD	:	Total Deposit
TL	:	Total Loan
TU	:	Tribhuwan University
TWF	:	Total Working Fund

Abstract

The study entitled "Deposit mobilization of Nepalese commercial banks: A comparative study of Everest bank limited and Siddhartha bank limited" has been conducted having two samples such as EBL and SBL out of total 27 commercial banks. These two banks are composed as per their deposit mobilization activities by taking five years data from the year 2015/16 to 2019/20. The main objectives of this study are to identify and analyze the financial position of the sampled banks, to find out the relationship between deposits collection and total investment, to evaluate the interest structure of deposits as well as loans and Advance, to identify the ratio analysis of deposit and other variables.

In this study various financial and statistical have been used. These tools make the analysis more effective, convenience, reliable and authentic. Financial tools such as liquidity ratio, assets management ratio, profitability ratio, risk ratio, growth Ratio are used to understand the financial position of the banks. Whereas statistical tools are used to analyze, identify and interpret the relationship between two or more variables. Such as Karl Pearson's of coefficient of correlation analysis, mean, standard deviation, coefficient of variation, probable error and trend analysis are some of the tools used.

This study suffers from different limitations, it considers two banks only and time and resource 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. 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 and different types of chart are also used. On the basis of the major findings and the conclusion made, the following recommendations have been provided for the enhancement of the deposit mobilization. They are to maintain effective liquidity position, increase deposit Collection, make more investment in government securities, make profitable return, prefer aggressive defensive policy, invest deprive and priority Sector, make effective portfolio management.

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

For the entire development of any country, each and every sector should be strong and capable. Among them economic sector is one of the major sectors. Banks and other financial institution generally play vital role in the economic development of the country. In other words, bank is an organization that collects the various types of deposit from people. Bank is a mediator between people as it accepts deposits in one side and grants the loan to them on the other side.

Banks in performing their pivotal role in the economy, facilitate financial settlement through the payment system, influence money market rates and provide a means for international payment. The sector mobilizes funds from the surplus-spending units into the economy and by on lending such funds to the deficit spending units for investment, banks in the process increase the quantum of national savings and investment (Mordi, 2004).

Deposits mobilization is one of the important functions of banking business. It is an important source of working fund for the bank and other financial organization. Deposit mobilization is an indispensable factor 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 successful functioning of commercial banks depends on the extent of funds mobilized. Deposits are the lifeblood of banking companies. Deposits constitute a vital source of funds required for banking business. There are different types of deposits with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits, offering attractive deposits rates on bank deposits can gain high deposit mobilization (Philip, 1968).

Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings and fixed amounts and other specialized schemes. Normally deposits are considered as the cost effective working funds that can increase the sustainability and profitability of the deposit taking institutions (Banson, 2013).

Enough capital is required for the development of any country. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning. Due to this reason many development planning are pending. If there is enough capital available, it can be invested into profitable projects and contribute to the National GDP. Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank for example, the bank must invest by lending the funds for various business companies. These firms in return, may invest the money in new factories and equipment's to increase their production. In addition to this borrowing from the banks, it must issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issue bonds to obtain funds to invest in capital incentive project, as the construction of dams, roads and schools. All such investments by individuals, business and government involve a presto sacrifice of income to get and expected future benefits. As a result, investment raises a nation's standard of living (The World Bank, 1966).

Banks today have gained paramount trust of the public. They hold the deposit of millions of persons, government and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms and government. Thus, their task is to provide a collecting point for saving of relatively small average amount from a large number of individual sources and invest them into a productive and needed sector of the country, so as to develop the nation. The importance of commercial banks may be measured in a number of ways. Banks are still the principal means of making payments, through the cheques, credit cards and electronic transfer services they offer. In the same way commercial banks are important because of their ability to create money from excess reserves made available from the public's deposits.

Financial development is one of the key indicators of economic growth for any country and financial institution grant regular energy for investments, which is needed for economic development. Capital formation is one of the important factors for economic development. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation, balance of payment and making the economy free from the burden of foreign debts. Domestic capital formation helps in making a country self-sustainable.

1.2 Development of Banking System in Nepal

The history of banking in Nepal is believed to be started from the time of Prime Minister Ranoddip Singh in 1877 A.D. he introduced many financial and economic reforms. The Tejaratha Adda was established at that time and its basic purpose was to provide credit facilities to the general public at a very concessional interest rate. The Tejarath Adda disbursed credit to the people on the basis of collateral of gold and silver. All employees of government were also eligible for this type of loan, which was settled by deducting from their salary. Tejaratha Adda extended credit only; it did not accept deposits from the public.

But the real banking started with the establishment of Nepal bank limited in 1994 B.S which was founded by Judda Samsher. It was the first bank of Nepal. Its main function was to provide loans and accept deposits. Later Nepal Rastra Bank was established as a central bank in 2013 B.S. The bank was completely government ownership bank and it also started to issues notes since 2016 B.S. Then after, several commercial banks have been established in the recent years.

The central bank helps the government to control, direct and formulate other monetary policies. Nepal Rastra Bank was set up in 2013 B.S. as central bank and since then it has contributed to the growth of financial sector. Speedy development of the country is possible only when comparative banking service reaches each and every corners of the country. Government had set up Rastriya Banijya Bank in 2022 B.S. as a fully government owned commercial bank and agriculture development bank was established in 2024 B.S.

1.3 Profile of the selected banks

1.3.1Everest Bank Limited

Catering to more than 10 lakhs customers, Everest Bank Limited (EBL) is a name you 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, the Bank has helped the nation to develop corporately, agriculturally & industrially.

Punjab National Bank (PNB), our 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. Recently, PNB was awarded with "IDRBT Banking Technology Excellence Award" under Customer Management & Intelligence Initiatives. The Bank also bagged "Golden Peacock Business Excellence Award 2013" by Institute of Directors. Similarly, the Bank was recognized as 'Best Public Sector Bank 'by CNBC TV 18. The bank has now more than 7,000 branches and 8,500 ATMs spread all across India. As a joint-venture partner, PNB has been providing top management support to EBL under Technical Service Agreement.

Everest Bank Limited (EBL) provides customer-friendly services through its wide Network connected through ABBS system, which enables customers for operational transactions from any branches. The bank has 105 Branches, 137 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.

1.3.2Siddhartha Bank Limited

Siddhartha Bank Limited (SBL) commenced operations in 2002. The Bank was promoted by a group of highly reputed Nepalese dignitaries having wide commercial experience. The bank provides a full range of commercial banking services through 180 branches and 209 ATM Networks within and outside the Kathmandu Valley. The Vision statement of the Bank describes the core values and purposes that guide the Bank as well as an envisioned future. Fundamentally, in all dealings SBL earnestly believes in transparency, financial soundness, efficiency and better technology. SBL's vision is to be financially sound, operationally efficient and keep abreast with technological developments. The Bank firmly believes customer focus is a core value, shareholder prosperity is a prime priority, employee growth is a commitment and economic welfare is a sincere concern.

The Bank wants to be a leader among the banks of its age in Nepal by fulfilling the interest of the stakeholders and also aims to provide total customer satisfaction by way of offering innovative product and by developing and retaining highly motivated and committed staff. It directs all its efforts to move ahead with increased profits. The following mission statement is a guide to meet the Vision of the Bank:

- SBL's vision is to be financially sound, operationally efficient and keep abreast with technological developments. The Bank firmly believes customer focus is a core value, shareholder prosperity is a prime priority, employee growth is a commitment and economic welfare is a sincere concern.

- The Bank wants to be a leader among the banks of its age in Nepal by fulfilling the interest of the stakeholders and also aims to provide total customer satisfaction by way of offering innovative product and by developing and retaining highly motivated and committed staff. It directs all its efforts to move ahead with increased profits.

1.4 Focus of the Study

The development of a nation depends upon its domestic resources. Banking sector plays vital role in allocation and utilization of such resources. Integrated and speedy development of a country is possible when competitive banking services reach every corners of the country. It provides capital for the development of industries trade and business. Without banking sectors the development of the country is not possible.

The commercial banks can play a vital role in mobilizing the resources in developing as well as developed countries. These institutions can induce the public to save their valuable fund. They can help to monetize the society. In this way the savings can enter into the banking channel from the informal sector. Banks are the financial intermediaries; they collect the surplus money in the form of deposit and provide loans to deficit sectors. In between, they follow credit creation process. In this way they bridge gap between surplus sector and deficit sector.

Thus this study deals with the liquidity, efficiency, profitability and risk position of commercial banks as an aid to economic development of the country by making survey of deposits and credits of commercial banks and their utilizations to fulfill the financial needs of the different sectors of the economy.

1.5 Statement of the Problems

Capital plays an important role in the banking sector. It is a requisite from the promotional stage up to the end of a banking sector. No banking transactions can be operated without fund. Fund is labeled as ‘life blood’ of banking sector. The capital can be collected from the various sources such as shares, debentures, public deposits, etc. Generally, there are various sources of accumulating capital internal and external. Aid, grants and loans are the main external sources whereas taxes and public debts are the popular internal sources in our country. But due to under-development, poverty, lack of banking knowledge etc. the desired capital for the development of the country can’t be accumulated form those internal sources.

The problems specially related to deposit mobilization of commercial banks in Nepal have been presented below: -

- How efficiently the collected fund has been utilized under loan and Advance?
- What are the interest structure of deposit and loan?
- How efficiently is the credit policy of SBL and EBL is being followed?
- What are the trends of the investment, deposit, loan and advance, and net profit of SBL and EBL?

1.6 Objectives of the Study

The main objectives of this study are to identify the deposit mobilization of Nepalese commercial banks. The specific objectives of this study are as follows: -

- To analyze the financial position of the sampled banks;
- To find out the relationship between deposits collection and total investment;
- To evaluate the interest structure of deposits as well as loans and Advance;
- To identify the ratio analysis of deposit and other variables.

1.7 Significance of the Study

Development of banking system plays an important role in the growth of any economy. Banking industry is an important institution for accelerating the process of development through deposit mobilization. In Nepal, banking industry is also playing vital role for the development of the nation. According to the NRB research report banking and financial institution are contributing around 10% to its national GDP. Due to the lack of proper infrastructure, commercial banks are handicapped to reach rural areas. Banking services are provided only on the urban areas. Thus, NRB need to amend its certain rules to motivate commercial banking to incorporate their branches even in the rural areas.

Mainly, this study covers the deposits and credit portion of EBL and SBL. So it helps to reveal the financial position of the bank and study occupies an important role in the series of the studies on EBL and SBL. The Significances of the study are: -

- This study is important to banks to make policies based on recommendations and suggestions in this thesis.
- This study may encourage the researchers to research further.
- It is important for investors, customers and personnel of bank to take various decisions regarding deposits and loan and Advance.
- This study is important to know how well the bank is utilizing its deposit.

1.8 Limitations of the Study

Every research has its own limitations. The main focus of this study is to point out the financial position and its analysis of banking sectors. Preparations of multiple financial statements are common practices in private sector.

In this chapter, deals with background of the study, profile of the selected banks, focus of the study, statement of the problem, objectives of the study, significance of the study and limitations of the study. So, the conclusion is based on the However, following are the limitations of the study: -

- This research design and analysis followed for this study are based on secondary data which covers the period of last five fiscal years.
- Time and resources constraints may limit the area covered by the study.
- Due to limited time and resources, out of 27 commercial banks, only two of them are included in this study.
- As a student, researcher faces various problems of resources.
- The period covered by the study is from 2015/16 to 2019/20 A.D.
- The accuracy of the research work is dependent on the data provided by concerned banks.
- Last but not the least limitation is that it is a partial requirement for the degree programmer.

1.9 Organization of the Study

The study has been organized into five chapters, the title of each of these chapters are as follows:

Chapter I	Introduction
Chapter II	Review of Literature
Chapter III	Research Methodology
Chapter IV	Presentation and Analysis of Data
Chapter V	Summary, Conclusion and Recommendations

The rationale behind this kind of organization is to follow a simple research methodology approach. The contents of the chapters of this study are briefly mentioned here.

Chapter one includes general background of the study, historical perspective of banking industry, overview of sample banks, statements of the problem, objectives of the study, significance of the study and limitation of the study.

Chapter two is devoted to theoretical analysis and brief review of related books, journals, and past research works.

Chapter three expresses the way and the technique of the study applied in the research process. It includes research design, population and sample, data collection procedure and processing, tools and methods of analysis.

Chapter four is the important chapter in which collected and processed data are presented, analyzed and interpreted using financial as well as statistical tools.

Finally, Chapter five provides the summary of the study, conclusion and recommendations which are forwarded to the related banking industry for utilization and mobilization of their deposits. The bibliography and appendices are incorporated in the end of the study.

CHAPTER-II

REVIEW OF LITERATURE

This chapter is focused on brief discussion about the abstract regarding the theories of deposit mobilization. In order to accomplish the objective of the study only the relevant literatures have been reviewed, including different views of expertise, assumptions, book and journals, as well as major findings of previous studies of the relevant field is included in precise manner. Every possible effort has been made to grasp knowledge and information that is available from the concerned commercial banks.

2.1 Conceptual Review

Under this heading the concept of the bank and banking transactions are described after thorough reading of the available books, previous thesis, magazine, website etc.

2.1.1 Modern Banking in Nepal

In the context of Nepal, it is very difficult to trace the correct chorological history of the Banking systems in Nepal because there are no sufficient historical records and data about Banking in Nepal.

Nepal bank Ltd. is the first modern bank of Nepal. It is taken as the milestone of modern banking of the country. Nepal bank marks the beginning of a new era in the history of the modern banking in Nepal. This was established in 1937 A.D. Nepal Bank has been inaugurated by King Tribhuvan Bir Bikram Shah Dev on 30th Kartik 1994 B.S. Nepal bank was established as a semi government bank with the authorized capital of Rs.10 million and the paid -up capital of Rs. 892 thousand. Until mid-1940s, only metallic coins were used as medium of exchange. So the Nepal Government (His Majesty Government on that time) felt the need of separate institution or body to issue national currencies and promote financial organization in the country.

Nepal Bank Ltd. remained the only financial institution of the country until the foundation of Nepal Rastra Bank is 1956 A.D. Due to the absence of the central bank, Nepal Bank has to play the role of central bank and operate the function of central bank. Hence, the Nepal Rastra Bank Act 1955 was formulated, which was approved by Nepal Government accordingly, the Nepal Rastra Bank was established in 1956

A.D. as the central bank of Nepal. Nepal Rastra Bank makes various guidelines for the banking sector of the country.

A sound banking system is important for smooth development of banking system. It can play a key role in the economy. It gathers savings from all over the country and provides liquidity for industry and trade. In 1957 A.D. Industrial Development Bank was established to promote the industrialization in Nepal, which was later converted into Nepal Industrial Development Corporation (NIDC) in 1959 A.D.

Rastriya Banijya Bank was established in 1965 A.D. as the second commercial bank of Nepal. The financial shapes for these two commercial banks have a tremendous impact on the economy. That is the reason why these banks still exist in spite of their bad position.

As the agriculture is the basic occupation of major Nepalese, the development of this sector plays in the prime role in the economy. So, separate Agricultural Development Bank was established in 1968 A.D. This is the first institution in agricultural financing.

For more than two decades, no more banks have been established in the country. After declaring free economy and privatization policy, the government of Nepal encouraged the foreign banks for joint venture in Nepal.

Today, the banking sector is more liberalized and modernized and systematic managed. There are various types of bank working in modern banking system in Nepal. It includes central, development, commercial, financial, co-operative and Micro Credit (Grameen) banks. Technology is changing day by day. And changed technology affects the traditional method of the service of bank.

Banking software, ATM, E-banking, Mobile Banking, Debit Card, Credit Card, Prepaid Card etc. services are available in banking system in Nepal. It helps both customer and banks to operate and conduct activities more efficiently and effectively.

For the development of banking system in Nepal, NRB refresh and change in financial sector policies, regulations and institutional developments in 1980 A.D. Government emphasized the role of the private sector for the investment in the financial sector. These policies opened the doors for foreigners to enter into banking sector in Nepal under joint venture.

Some foreign ventures are also established in Nepal such as Nepal Bangladesh Bank, Standard Chartered Bank, Nepal Arab Bank, State Bank of India, ICICI Bank, Everest Bank, Himalayan Bank, Bank of Kathmandu, Nepal Indo-Suez Bank and Nepal Sri Lanka Merchant Bank etc.

The NRB will classify the institutions into “A” “B” “C” “D” groups on the basis of the minimum paid-up capital and provide the suitable license to the bank or financial institution. Group ‘A’ is for commercial bank, ‘B’ for the development bank, ‘C’ for the financial institution and ‘D’ for the Micro Finance Development Banks.

2.1.2 Concept of Commercial Bank

Commercial Bank Act, 2031 BS of Nepal has defined commercial bank as an organization which exchanges money, accepts, grants loans and performs commercial banking functions and which is not a bank meant for co-operative, agriculture, industries or for such specific purpose.

As per Banking and Financial Institution Act (BAFIA) commercial bank is defined as any financial institution that is operate under section 47(1) of BAFIA-2063.

Commercial banks are those banks which perform all kinds of banking functions such as accepting deposits, advancing loans, credit creation and agency functions. They provide short term loan, medium-term loans and long-term loans to different business house and trading companies. NRB Act 2031 has defined the meaning of commercial bank as the bank which performs the commercial functions.

A commercial bank can be defined as an institution which deals with money. In the words of Crothers “Banks collect money from those who have it spare or who are saving it out of their income and lend this money out against goods, security to those who requires it” (Crowther, 1985)

Capital formation is one of the important factors leads to increase in the size of national output income and employment, solving the problem of inflation and balance of payment and foreign debts. According to classical economist, one of the main factors which helped capital formation was the accumulation of capital. Commercial banks are those institutions, which deals capital formation by mobilizing spread deposit from and lending in productive sector. These banks provide working capital needs of trade, industry and even to agricultural sector. Commercial banks are the heart of financial system. Banks make fund available through their lending and investing activities to borrowers, individuals, business firms and services 13 Nepali Banks and Financial Institutions (BFIs) are hardly struggling with the ongoing shortage of deposit funds. Such problems have become frequent since 2010 when BFIs for the first time found themselves between a rock and hard place due to the acute shortage of deposit. The years following 2010 have witnessed such recurrences in high and low magnitudes with a deepening of the crisis particularly in the last two fiscal years. The reason behind this is the high demand of credit and insufficient supply of money which is largely dependent on growth of deposits. In its recently published Nepal Development Update, The World Bank has stated that the growth of money supply in Nepal at present is at a record low level (Shrestha, 2007)

Hence, we can conclude that the commercial banks are established under the rules and legislation of the central bank of the country. It has to move as per the directives given by the central banks. Though banks are established for the mobilization of the saved fund, central bank makes certain rules so that the public or the customer of the bank may not undergo on loss of their hard earned money by the disinvestment procedure of the bank.

2.1.3Types of Banks

There are several types of banks as per their nature and objectives, which are as follows.

a. Savings Bank

Small savings of numerous households are collected by savings banks and are made available for useful investments. Households deposit their small savings in boxes given to them. Their objective is to encourage thrift and make small savings available for useful investment.

b. Commercial Bank

Commercial bank collects deposits, issue short-term credit, provides necessary facilities for trade, payments and renders various kinds of common commercial services. Nepal Bank Limited was established on 30th Kartik 1994 B.S. and is the first commercial bank in Nepal.

c. Agriculture Bank

Agriculture banks are specialized banks that are specialized in providing financial facilities for agriculture sector. Farmers need short term loans for input procurement, medium term loans for major agricultural equipment and long term loans for land improvement and major facilities. It is also called Cooperative Banks.

d. Industrial Bank/ Development Bank

Development Banks are established for development of certain sector. They normally offer long-term loan and provide technical and other advice as well. The origin of development banks dates back to industrial revolution in U.K.

e. Central Bank

It is the guardian of the entire banking system. All other banks are required to comply with instructions of the central bank. It is the regulating and controlling authority. Usually, Central bank controls monetary policy. It acts as the lender of the last resort in the event of the crisis. They are often charged with controlling the money supply, including printing paper money. Bank of England (1964 A.D.) is the first central bank. Now, almost all the countries have their own central banks. The central bank of the Nepal is Nepal Rastra Bank 2013/1/14 B.S.

f. Merchant Bank

Merchant banks were traditional banks which engaged in trade financing. The modern definitions, however, refers to banks which provides capital to firms in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new companies. In Nepal, finance companies involve in merchant banking activities.

g. Postal Savings Bank

Postal savings banks are any of the saving banks that are formerly operated by local post offices and limited to small accounts. Japan and Germany are examples of countries with prominent postal savings banks.

h. Retail Bank

In the retail banks, primary customers are individuals. An example of a retail bank is Washington mutual fund of the U.S.A.

i. Land Development Bank

Land development banks were known as land mortgage banks in the earlier time. They provide long term loans against security and mortgage of land and property.

j. Universal Bank

Universal Banks are those that include investment services in addition to the services related to savings and loans.

2.1.4 Functions of the Commercial Banks

Banks collect unused money from public by providing attractive interest rates and earn profit by lending it mainly to business organization, industrial and agriculture sectors and investing in government bonds. So, the main function of commercial banks is to mobilize the idle resources in productive areas by collecting it from scattered sources and generating profit. There are many functions performed by commercial banks which may be summarized as follows: -

a. Accepting Deposit

The main objective of the commercial banks is to collect the deposit. Commercial banks accept the deposit from the public who has surplus funds under three main headings namely current, savings and fixed deposits.

Current Deposit

Current deposits are also known as demand deposits. The deposit in which an amount is paid immediately at the time of any account holder's demand is called demand deposit. As a result the banks are unable to utilize such funds to yield higher profits. Therefore, the bank does not provide interest on this account.

Saving Deposit

Saving account is mainly meant for individuals who want to have savings for some interest return and availing banking facilities instead of putting it into the house with risk and no gain at all. This deposit is suitable and appropriate for the people of middle class who have low income and small saving. The bank usually pays small interest to the depositors against their deposit.

Fixed Deposit

Fixed deposit is the one, which a customer is required to keep fixed amount with the bank for specific period, generally by those who do not need money for the stipulated period. She/he is not allowed to withdraw the amount before expiry of the period. The rate of interest is generally higher in such deposits rather than other deposit. Minimum amount for which the fixed deposits are accepted differs from banks to banks and the interest is payable at periodic intervals to the depositors or as per their instructions. Fixed Deposit Receipts are issued for the deposits accepted by the banks.

b. Advancing Loans

Commercial bank collects funds by accepting all kinds of deposits and then, mobilizes by providing loans and Advance. Direct loans and Advance are provided to the needy person against the personal security of the borrowers or against the security of movable and immovable properties. There is various method of advancing loans e.g.

- Overdraft
- Cash credit
- Direct loans
- Discounting bill of exchange, etc.

c. Agency Services

A commercial bank provides a range of investment service undertakes to buy and sell securities on behalf of its clients. The banks undertake the payment of subscriptions, premium rents etc. It collects cheques, bills, promissory notes, dividends, interest etc. on behalf of the customers. The bank charges a small amount of commission for those services. It also acts as correspondent or representative of its customers, other banks and financial institutions.

d. Credit Creations

Commercial banks create credit on the basis of deposits. They hold a certain amount of cash reserve to meet obligations. The rest of the deposit amount is invested in loan finance that yields higher rates of interest as compared to those payable on deposits. When the bank advance loan, it opens an account to draw the money by cheque according to borrower's needs.

e. Other Functions

Other functions of the commercial banks are as follows:-

- Assist foreign trade
- Offer security brokerage services
- Financial advising
- Security brokerage service.

2.1.5 Concept of Deposit and Deposit Mobilization

Deposits are defined as funds placed in a financial institution by economic surplus units such as householders, corporations, investors and government. These funds can either be from cash, claims to money, like checks placed in depositor's accounts, bank loans or money from investments (Van, 1995).

Mobilization of deposit for a bank is as essential as oxygen for human being. Deposit mobilization is one of the main functions of banking business and so an important source of working fund for the bank. Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings, fixed, recurring accounts and other banks specialized scheme (Banson, Sey, & Sakoe, 2009)

Deposit mobilization is the process of public cash or funds accumulation by the financial institutes via its different routes, for instance, savings, current, fixed deposit accounts and other specialized schemes. It is an integral part of banking activity. Mobilization of saving 12 through intensive deposit collection has been regarded as the major task of commercial bank. Acceptance of deposit is the primary function of commercial banks. As such, deposit mobilization is one of the basic innovations in current banking activity. Banks utilized its funds in suitable area and right sector. Banks cannot achieve its goals until and unless it mobilizes its deposit in right sectors and by performing different activities. Much kind of activities and other things can origin for receiving invest from the bank, but bank should separate the useful and profitable sector for mobilization its deposit (Sahu & Rajasekhar, 2015)

Thus, bank deposit is subject to various form of classification. The deposits are generally classified based on ownership, security and the availability of funds. There are two types of deposit which are as follows.

a. Interest Bearing Deposit

Deposit in which banks are required to pay interest is known as interests bearing deposit. Saving, Term (Fixed), Call and Recurring deposit are interest bearing deposit.

Saving Deposit

A saving deposit is one in which the general public open an account with a limited amount of money that can be withdrawn and low level of interest will be provided by bank. This is a very common and general deposit account, which is suitable for those classes of people who want to save some portion of their earnings or the money left after the consumption. Initial deposit as decided by the bank must be made to open the Saving Accounts. There are some restrictions in withdrawing money; at the same time the limitation depends as per nature of the economy and from one country to the other country or every one bank to the other.

Fixed Deposit or Time Deposit

This is a kind of deposit in which banks offers fixed interest rate on the deposit and repays principal together with interest at fixed maturity or pays interest on regular interval. So the money deposited in this account can be utilized by banks for medium or long term credit freely being confident that the depositors will not come to claim until the time lapses. Normally higher interest rate is offered for long term deposit and lower interest rate for short term deposit. The time deposit is the main source of commercial banks for their credit operation. Investment in medium term and long purposes is possible only through this type of deposit. However, the depositor can take loan in case of urgency before the maturity of the account against the Fixed Deposit.

Call Deposit

Call deposit incorporates the characteristics of current and saving deposit in the sense deposit is withdrawn able at ‘call’ and savings in the sense the deposit earns ‘interest’. The companies not entitled to open savings account can open the call accounts. Interest rate on call deposit is negotiable between the bank and the depositors and hence, is normally not published in public. Interest rate is applied on daily average balance. Withdrawal restriction is not imposed on call deposit but the balance should not go below an agreed level (Dahal & Dahal, 1990).

Recurring Deposit

Concept of recurring deposit was developed to encourage the thrift among people of fixed regular earning. In recurring deposit scheme, the depositor is required to deposit the fixed amount in each installment and is repaid fixed amount at maturity.

b. Non-Interest Bearing Deposit

It is the deposit in which the banks need to pay interest for the customer of their savings. It is because in this types of deposit customers can withdraw the money at any time or can withdraw daily and the bank could not employ the amount in profitable projects that's why it does not pay any interest in this type of account. Current and margin deposit are non interest bearing deposit.

Current Deposit

The current deposit accounts are generally opened by the business organizations. They are allowed to withdraw and deposit the money according to their needs. There is no limitation of withdrawing the money. Therefore, these types of deposits are for those customers/organizations who may need money at uncertain times.

Margin Deposit

Banks issue letter of credit, guarantee and indemnity etc. on behalf of the customer for a specified sum of money. These amounts have to be paid to the beneficiaries of aforesaid instruments provided they claim as per the terms and conditions agreed upon. Thus, banks are exposed to contingent liability. To reduce the liability banks ask customer to deposit a certain amount as the margin deposit.

Banks open the fictitious margin account in the name of the borrower to put such amount and interest is not paid in such deposit. Margin deposit is required to the customer if the claim is not lodged by the beneficiary. In the case of claim, the amount is utilized to honor the claim. (Dahal & Dahal, 1990)

2.1.6 Deposit Mobilization in the Context of Nepal

Collecting small scattered amount of capital through different media and investing the deposited fund in productive sector with a view to increase the income of the depositors is meant deposit mobilization. In other words, investing the collecting fund in the productive sectors and increasing the income of the depositors, also supports increase in the saving through the investment of increased extra amount. (NRB, 1984)

When we discuss about deposit mobilization, we are concerned with increasing the income of the low income group of people and to make them able to save more and invest the collected amount in the development activities (NRB, 1984)

Saving refers to that part of the total income which is more than the expenditure of the individual. In other words, saving = total income – total expenditure. Basically, saving can be divided into two parts voluntary saving and compulsory savings. Among 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 and current.

In developing countries there is always a shortage of the capital for developmental activities. There is need of development in all sectors. It is not possible to handle and develop all the sectors by the government alone at a time, private people also can not undertake large business because the per capita income of the people is very low while their propensity to consume 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 developmental works.

But how capital can be accumulated in the developing countries, there are two ways of capital accumulation in the developing country, one from external sources and other from the internal sources. In the first group foreign aid, loans and grants are the main. While in the later financial institutions operating within the country play a dominant role. In the context of Nepal, commercial banks are the main financial institutions 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.

Capital formation is possible through collecting scattered unproductive and small savings from the people. This collected fund can be utilized in productive sector to increase employment and national productivity. Deposit mobilization is the most dependable and important source of capital formation (RBB, 2055)

Deposits, such as current, saving and fixed deposits 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 to every possible means lying at their deposit.

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 and more deposit. In these contexts, the yearly increasing rate of commercial banks deposit clearly shows the satisfactory progress of deposit mobilization (RBB, 2055)

Nepali migrant workers sent home Rs 961.05 billion in the last fiscal year, ending mid-July, a record-high money transfer to Nepal since Nepalese started to look for overseas employment more than two decades ago.

The amount grew 10 percent year on year, which is equivalent to 22.5 percent of Nepal's current gross domestic product of Rs4.26 trillion evaluated at current market prices. Remittance, the flow of capital from immigrants to families back home, is a crucial source of income for many countries, including Nepal. Despite the popular labour markets in the Gulf Cooperation Council countries and Malaysia being severely impacted by Covid-19 that left millions of foreign workers with no option than to pack their bags and leave, remittance has proved far more resilient than expected. The number of migrant workers going abroad, however, dropped to a 16-year low to 166,698 individuals. There is a mismatch.

Economists say Nepal's labour market indicators can broadly be divided into two types–stock variables and flow variables.

"Generally, we have an understanding that if a greater number of people go abroad, they will send home more money. But that's not the case," said, Nara Bahadur Thapa, former executive director of the Nepal Rastra Bank. (Prasain, 2021)

2.1.7 Requirement for Deposit Mobilization

The following are some reasons why deposit mobilization is needed in the developing country like Nepal: -

- Capital is needed for the development of any sector of the country. The objective of deposit mobilization is to collect the scattered capital in different forms within the country.
- 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 and 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. They are granting loan not only in productive sectors but also in other sectors like food grains, gold, silver etc.
- It is much more important to analyze the collected deposit in one priority sectors of a country. In our developing country's we have to promote our business and other sectors by investing the accumulated capital towards productive sectors.

2.1.8 Advantage of Deposit Mobilization

The advantages of deposit mobilization are as follows: -

Circulation of Idle Money

Deposit mobilization helps to circulate idle money. The meaning of deposit mobilization is to convert idle saving into active saving. Deposit mobilization helps the depositor's habit of saving and it also helps to circulate the idle saving in productive sector. This helps to create incentives to the depositors.

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. Deposit mobilization helps to canalize idle money in productive sector. Again, it helps in money supply, which saves the country from deflation and helps central banks objective in monetary policy.

Capital Formation

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

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 will develop among the people.

To Support Government Development Projects

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

To Promote Cottage Industries

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

To Check up Misuse of Money

Mostly our customs and habits are supported by social and religious believe. There is also tendency of copying others and to show their superiority buying unnecessary and luxury items in our society. In such society, deposit mobilization proves a tool to check up the misuse of money.

To promote trade and commerce

Deposit mobilization is needed to facilitate trade and commerce. If the bank utilizes the collected deposit and mobilize the same to fulfill the need of industry, in required of long-term finance for the capital. It is helpful not only to promote cottage industries in the area, but also support in the development of the locality as a whole increasing employment and income of the local people. (Shrestha, 2014)

2.1.9 Loans and Advance

The core function of commercial bank is the granting of credit. Although banks offer wide range of financial services, lending has traditionally been their main function. Banks profess experience, expertise and flexibility in lending which gave them clear competitive advantage over all other financial institution. Bank credit has been responsible for the development and growth of many small and moderate size business that otherwise would have withered and died by providing credit, banks have contributed to the growth of their respective communities and Advance of local well being.

Commercial bank provides loan to the public through which it creates the credit for the community. Commercial banks mobilize their funds mainly in loan and Advance. Loan and Advance is the risky assets. There is high ratio of risk on granting loan. Since, loan and Advance is risky there is the possibility of high rate of return. Banks loans and Advance contribute high ratio in the profit of the banks. It is the instrumental in creating and maintaining good deposit relationship which are essential for the furthering of bank's lending. Making loan is the principle economic functions of banks. Therefore, how well a bank performs its lending function has a great deal to do with the economic health of the country because bank loans support the growth of the new business and jobs within the bank's trade territory and promote its economic activity.

Through banks loan and Advance are the important factor for getting profit to the bank it should not grant loan haphazardly. It should analyze the creditor before the approval of the loan. A manager must consider character, capacity and capital of the borrower. Another thing in lending is always influenced by the safety, recovery and return. The four conditional principles determine the spread of loans and Advance. They are: -

- How to be safe?
- How to meet demand?
- How to meet the cost?
- How to bring about the development in terms of achieving social objectives?
- Generally a bank grants two types of loan i.e. short-term loan and long-term loan against the security. Security is necessary in case of the default of the payment. Banks can sell the property if due balance are not repaid in time with the interest.

2.1.10 Investment and Investment Policy

a. Investment

Investment is simply defined to be the sacrifice of current consumption for future consumption whose objective is to increase future wealth. The sacrifice of current consumption takes place at present with certainly and the investors expect desired level of wealth at the end of his investment horizon. The general principle is that the investment can be retired when cash is needed. The decision of investment is now the most crucial decision as the future level of wealth is not concern. Time and risk are the two conflicting attributes involved in the investment decision. Broadly, investment alternative fall into two categories: real assets and financial assets. Real assets are tangible while financial assets involve contracts written on pieces of papers such as common stocks, bonds and debentures. Financial assets are bought and sold in organized security markets.

b. Investment Policy

The initial step, setting investment policy, involves determining the investment objective and the amount of his or her investable wealth because there is a position relationship between risk and return for sensible investment strategies. It is not appropriate for an investor to say that his or her objective is to ‘make a lot of money’. What is appropriate for an investor in this situation is to state that the objective is attempt to make a lot of money while regarding that there is same chance that large loss may be incurred. Investment objective should be stated in terms of both risk and return.

Some of the main characteristics of sound lending and investment policies are given below:-

Liquidity

People deposit money at bank in different account with confidence that the bank repay their money when they are in need. To maintain such confidence of the deposits the bank must keep this point in mind while investing its excess fund in different securities or at the same time of lending so that it can meet current or short term obligation when they become due for payment.

Safety and Security

The bank should invest its funds in those securities, which are subject to too much depreciation and fluctuation because little difference may cause a great loss. It must not invest its funds into speculative businessman who may be bankrupt at once and who may earn million in a minute also. The bank should accept the type of securities which are commercial, durable and marketability and have high market price.

Profitability

Commercial banks can maximize its volume of wealth through maximization of return on their investment and lending. So, they must invest their fund where they gain maximum profit. The profit of commercial banks mainly depends on the interest rate, volume of loan, its time period and nature of investment in different securities.

Legality

Illegal securities will bring many problems for the investors. Commercial banks must follow a rules and regulations as well as different direction issued by NRB, ministry of finance and others while mobilizing its deposits.

Portfolio of Deposit Mobilization

The model indicated that for any asset in the portfolio, the proportion of that asset would increase when its expected rate of return increases in comparison to other assets. The regression analysis yielded results consistent with this hypothesis. The model also suggested that as inflows of funds were expected, the proportion of cash held in the portfolio would decrease while the proportion of earning assets would increase. The regression results were again consistent with the hypothesis. Favorable results on balance were obtained in a separate test of the regression estimates with data drawn from a time period not used in the estimations. These results indicated that commercial banks adjustments toward the equilibrium composition appear to be rather slow taking approximately twenty months to reduce the cash share by about a third. Moreover, it seems that although the structure of interest rates appears to have small explanatory value considering short period changes it nevertheless determines to a considerable extent the ultimate asset composition.

2.2 Empirical Review

2.2.1 Review of Related Article and Thesis

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 findings towards fund mobilization and other related books.

Banks are that kind of institutions, which deals with money and substitutions for money. They deal with credit and credit instrument. Effective circulation of credit is more significant for the banks. Unsteady and unevenly flow of credit harms the economic situation of the nation. Because of this, collected funds or deposits should be invested and mobilized into the right sector. An investment of fund decides the life and death of the banks.

Bajracharay (1990) through his article "Monetary Policy & Deposit Mobilization in Nepal" has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purposes commercial banks stood as the vital & active financial intermediary for generating resources in the form of deposit of the private sector so for proving credit to the investor's in different aspects of economy.

Shrestha (1997) in the article has presented the objective to make an analysis of contribution of CBs leading to the gross domestic product of Nepal. The writer has set hypothesis that there has been positive impact of lending of CBs to the GDP. In research methodology, the writer has considered GDP as the dependent variable and various sectors of lending viz. agriculture, industrial, commercial, service and general and social sectors as independent variables. A multiple regression techniques have been applied to analyze the contribution.

The multiple analyses show that the entire variable except service sector lending has positive impact on GDP. Thus in conclusion the writer has accepted the hypothesis i.e. there has been positive impact on GDP by the lending of CBs in various sectors of economy, except service sector investment.

Tendukar (2005) in a study entitled, "Role of NRB in Deposit Mobilization of Commercial Banks" with the following relevant Objectives:

- To examine the role of NRB in deposit mobilization by commercial banks.
- To analyze the role of NRB in deposit mobilization by commercial banks.
- To evaluate the liquidity, efficiency and profitability and risk position.
- To suggest applicable and appropriate suggestion for the improvement.

The major finding of the study is as follows:

- The Central banks are required to direct the commercial banks.
- Commercial banks should have move as per the direction given by the central banks.

- If commercial bank does not apply sound investment policy it will be in great trouble in future to collect it in time.
- Banks are important for the nation. It helps in the capital for the nation to the nation, which is important element for the economic growth of the country.

Paudyal (2004) in a study entitled “A Study of Fund Mobilizations of Commercial Banks in Nepal” researched by Paudyal has tried to examined the funds mobilizations of the commercial banks and had concluded that the efficient mobilization of fund is more important than collection of one deposit. Also the writer said lower is the investment lower will be the capital formation. If there is high ratio of investment of the available fund this will create huge capital formation which is important to the economic growth of the nation and development of nation. At last the writer recommended that the commercial banks should concern their behavior in the efficient mobilization of the resources to yield better profit.

Sharma (2004) in the article “Banking the further of competition” has said, due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again the writer said that “Private CBs have mushroomed only in urban areas where banking transactions in large volume is possible. The rural and sub urban areas mostly remain unattended.

Rayamajhi (2008) has conducted on the thesis work “A study on deposit mobilization of six commercial banks” has concluded that commercial banks play a vital role in accelerating the growth of the country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources.

The reviews of above relevant theses have no doubt enhanced the fundamental understanding and foundation knowledge base which is prerequisite to make this study meaningful and positive. Although numbers of article have not been published and various research work have not been conducted in commercial bank deposit mobilization so far, so here effort is made to do.

Bhandari (2013) in his thesis paper has been presented by "A Study on Deposit Mobilization by the NBL" has concluded that commercial banks play a crucial role in accelerating the growth in the country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources. The conclusion is diverted from the analysis of seven years data from 1970 to 1977 A.D. using Karls Pearson's formula, percentage and ratio to meet the objective how far the bank is able to utilize the collected deposits.

Rouniyar (2013) studied on liquidity and profitability analysis of four listed commercial banks (with reference to NABIL, SCBNL, EBL and SBI). The study has made objectives to assess the profitability and liquidity position of the commercial banks and to evaluate the relationship between selected dependent and independent variables regarding liquidity and profitability of the banks. The study has covers the data of ten fiscal year i.e. fiscal year 2001/02 to 2010/11.The finding made by study were that the return on equity was highest of SCBNL and lowest of SBI among the four sample banks. SBI has more risky than other sample banks. In the same way, return on capital fund or employed to risked assets for SBI was more volatile than other sample banks. SBI has not managed its profitability to maintain capital adequacy than other sample banks. NABIL was more uniformity which has less CV than others. Net profit to total deposit ratio for the bank was 17 satisfactory i.e. well management in earning profit. Net profit to total loan and Advance ratio was highest of SCBNL.

Kafle (2014) in the topic, "Monetary and Financial reports in Nepal" states that consideration and liberalization of interest rate reform measure are initiated with a view to provide more option to commercial banks in the mobilization of savings and portfolio management through market determined interest and lending rates.

Gyamfi (2015) analyzed on mobilizing deposits the role of commercial banks in Ghana. The purpose of investigation was to identify the most effective and efficient ways commercial banks in Ghana; should employ to maximize the volume of domestic deposits in the environment of high rural population, dominant informal sector employment and macroeconomic instability. Analyses mainly had an explanatory research purpose since it aimed to establish the effect of methods used by commercial banks on deposits mobilization. The population of the study was commercial banks in Ghana. Out of the twenty-seven (27) Commercial banks, nine (9) have been selected as the sample size because of access to ready data. Author found amount of domestic funds that commercial banks receive was far below the level sustainable for self-sufficiency. Huge volumes of loan able funds are left out of the Banking system and it needs the efforts of the commercial banks to tap them into productive uses. The finding also indicated that deposits mobilization of Commercial Banks in Ghana though, has an upward trend, it increases at a decreasing rate.

Pokherel (2015) studied on deposit mobilization of commercial banks of Nepal, with reference to NABIL and HBL. The studied was made with objective to analyze the trend 19 of liquid management by the commercial banks, to evaluate the cash reserve ratio maintained by the NABIL and HBL and to analyze the total loan and Advance, total investment provided by the NABIL and HBL with covering studied period of five year from fiscal year 2010 to 2015. The findings of the studied were that the liquidity position of NABIL was very strong while HBL have strong capacity to meet the short-term obligations. Further HBL have invested significant portion of deposit to total investment than other. In addition total deposit, investments, loans, and Advance of all banks were in increasing trend.

Adhikari (2016) administrated a study on liquidity and credit management practices of commercial banks in Nepal, with reference to Nepal Investment Bank Ltd. and Nepal Credit and Commerce Bank Ltd. and had made objectives to analyze the trend of liquid assets maintained by the commercial bank, to analyze the credits and Advance provided by the NIBL and NCC and to find out the strengths and weaknesses in the credit position of NIC and NCC. The data cover for the study if of five fiscal year (2011 to 2016). The major finding of the study revealed that the relationship between total credit and total deposit shows highly significant positive correlation. The analyzed of the trend of liquid assets maintained by banks shows that

NIBL in a better position than NCC. Further author conclude that the relationship between total credit and net profit also shows a significant positive correlation.

Ambe (2017) made an investigation of determinants of deposit mobilization in commercial banks of Ethiopia. The main aim of investigation was aimed to investigate factor that determine customer deposit mobilization by the commercial bank of Ethiopia by using data for 20 years. Both descriptive and econometric analysis has been applied in order to investigate factors. As determinants of customer deposit mobilization in the bank five explanatory variables such as loan, existence of competitors, interest rate, branch expansion were included. The result of the econometric result indicates that loan provision, branch expansion and number of customers are found to have significant positive impact for the growth of deposit mobilization. However, the emergence of new competitors and interest rate was not found to have positive impact to induce deposit mobilization in the 20 bank. The study recommends expansion of banks in different areas as well as enhancing the number of the customers via different incentive provision and coping up with emerging competitors as potential means of promoting deposit mobilization

Kadariya (2017) studied on deposit mobilization of commercial banking in Nepal Researcher had taken two samples of Banks Viz; Nabil Bank Limited and Nepal Bank Limited. The studied was made with general objectives of research to study target/actual loan investment and collection of developing banking of NABIL Bank Limited and Nepal Bank Limited, and to examine the financial position of sample banks. The study period has cover the data of five year (2011/2012-2015/2016) basically research methodologies in study signifies the research design source of data, data collection technique, data collection method and tolls and technique etc. were undertaken for descriptive cum analytical research design was adopted. The major finding of the study was that NABIL has more consistency and uniformity in case of profitability. NBL has slightly higher spread rate than NABIL. Loan and Advance of both banks are in increasing trend. Net profits of both Banks are in increasing trend. However, the growth of increasing profit of NABIL is higher than that of NBL Thus it has found that NABIL will earn more profit than NBL in future.

Orok, Okoi, Essien (2018) analyzed on inflation and deposit mobilization in deposit money banks the Nigerian Perspective. The broad objective of the analysis was to study critically examine inflation rate in Nigeria with the view of ascertaining its effect on the deposit mobilization in Banks. The study which was ex-post facto, relied mostly on secondary data which were collected through the Central Bank of Nigeria (CBN) statistical bulletin, Nigeria interest research library research, textbooks, journal and report from 1994-2014. The population for this study included selected numbers of banks i.e. deposit money bank in Nigeria from 1994-2014. Authors concluded that all variables used in the construct were stationary at 1st difference, and at least one co-integrating equations exited in the model. Again, it was concluded empirically, that inflation has negative impact on the deposit mobilization of the Nigerian banks.

KC (2018) analyzed deposit mobilization of Agriculture Development Bank Limited. The study was made by covering study period from 2013 to 2018 with major objective to find out the composition of total loan and Advance over total deposit and to explore the profitability position of the bank. The studied find the mean total loan and Advance to total deposit of this ratio is 92.62 percent. The mean total loan and Advance to fixed deposit of this ratio of 2.22 times. Net profit to total loan and Advance gauges the bank’s efficiency to generate net profits out of the total loan and Advance. The average net profit to total loan and Advance ratio is 7.76 percent. This indicates that the Net profit to total loan and Advance ratio for the bank is satisfactory i.e. to generate the profit.

Gunasekar & Kumari (2018) examined on factors affecting for deposit mobilization in Sri Lanka. The main objective of this study was to examine the most effective factors affecting deposit mobilization, followed by a random sampling method, in which 120 deposit account holders were selected as a sample from three different convenient sample areas. The Questionnaires were equipped with questions to obtain primary data. The data has been analyzed using “descriptive statistics” and “regression analysis”. The study revealed that, there was a significant and positive relationship between deposit mobilization and deposit interest rate, security, branch expansion, services, technology and awareness. Moreover, there was a significant relationship between living area and the amount of deposits and the demographic variables, such as, gender, occupation, education level and income significantly affect for deposit mobilization. Examiner concluded that deposit mobilization was the key focus of many banks. However, finding revealed that deposit was becoming a challenging role for the Banks in Sri Lanka compatible with the growing need of loans.

Yadav (2018) analyzed on deposit mobilization of commercial banks in Nepal with reference to Nepal Investment Bank limited and Standard Chartered Bank. The objective of the research was to provide the comparative ability of NIBL and SCBNL in deposit collection and growth and to analyze the financial factor like liquidity management, efficiency and profitability position relation to deposit mobilization of commercial bank. The secondary data for the period (2012/2013-2016/2017) were undertaken for descriptive 22 and analytical research to describe general attitude of Nepalese depositor, business environment commercial bank etc. The major findings were that the loan and Advance to total working fund ratio describes that position of NIBL is better than SCBNL. From the analysis of growth ratio of loan and Advance, SCBNL seems weak in increasing loan and Advance than that of NIBL. SBNL has maintained high liquidity funds than that of NIBL.

Thao (2019) made a survey on improving deposit mobilization of Vietnam Bank for Investment and Development (BIDV), BAC Giang Branch, Vietnam' This survey assessed the status of deposit mobilization of Vietnam Bank for Investment and Development, BAC Giang branch through perception of depositors, creditors and employees. Based on the results of survey, author proposed some solutions to enhance deposit mobilization for Vietnam bank for Investment and Development in general and BAC Giang branch in particular. In this study, the researcher has focus on reviewing current situation of capital mobilization in previous years of the branch, stating the success and failures of bank based on perceived by clients and employees then propose some solutions to increase the deposits mobilization. The methodology of survey was by using raw data investigated depositors, creditors and employees. The respondents of the survey were depositors, creditors and employees of the bank. Total of sample is 90, 30 depositors, 30 creditors and 30 employees. After the direct investigation researcher conclude, deposit mobilization systems of BIDV in BAC Giang province were generally acceptable to all groups of respondents, both for deposit pricing policies and product and network. It falls under the often category with a description of 80 percent satisfaction and/or acceptability from the respondents. Some problems as perceived were higher interest of borrowing compared with other banks, and limited services offered.

Kassu & Menen (2020) Deposits are the primary source of funds for a bank, which facilitates the uses of funds of loans and investments. The higher the deposits amount, the bigger the lending and investments portfolio can be maintained by the banks to sustain its expansion and future growth. Mobilizing deposits is one of the essential issues in developing countries as domestic funds provide cheap and reliable source of funds for development. The objective of this study is empirically investigating factors affecting deposit mobilizations of Ethiopian private commercial banks for the periods 2010 to 2019. The researcher adopted explanatory research design and Quantitative research approach. 23 Endogenous and exogenous variables were analyzed by using the balanced panel data regression model. To check the appropriateness of the model Different diagnostics test were conducted such as test of heteroscedasticity, autocorrelation and Normality. The results explained that Banks Liquidity has a positive insignificant effect, credit risk and exchange rate have positive and statistically significant and inflation has significant negative influences on commercial bank deposit mobilization. Recommendation given to Commercial banks they should have managed high liquidity risk that contributed by increased deposit.

2.2.2Research Gap

The present thesis work reflects the following research gap.

This thesis work has covered the period of study till 2019/20 A.D. This thesis work has covered the fact that SBL and EBL are focusing on different schemes to collect deposits from general public whereas the previous thesis work lacks this concept. Because deposit collecting schemes are new concepts to attract consumers in competitive banking sector.

The researchers have lots of research on the topic ‘Deposit Mobilization’ of Siddhartha Bank Ltd and Everest Bank Ltd. Among those studies - some focused on the deposit collection of the Siddhartha Bank Limited and Everest Bank Limited-some included the study on their deposit mobilization and some also emphasized on the consistency of the fund investment.

This study also focuses on all the above issues related to deposit mobilization of the bank with similar kind of analysis tools. Besides these, this study has covered the data from 2015-2020.

CHAPTER III

RESEARCH METHODOLOGY

In the previous chapter, the role of commercial banks and its functions for the economic development of a nation has been discussed and the review of literature with possible review of relevant books, articles and thesis, and research findings has been done along with the function of commercial banks and types of deposits. This has equipped the researcher to make choice of research methodology to support the study in realistic terms with sound empirical analysis.

Research methodology is a systematically way of solving the research problem. It may be understood as science of studying that how research is done scientifically as well as systematically (Kothari, 1989). Research methodology is the research method used to test the hypothesis. It sequentially refers to the various steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology describes the methods and process applied in the entire subject of the study. This topic deals with research design, nature of data collection, processing of data and statistical tools used.

3.1 Research Design

Research design indicates a plan of action to be carried out in connection with proposed research work. The research design is descriptive and core prescriptive in this study because the historical secondary data have been mainly deployed for analysis. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. (Kothari, 1989)

3.2 Source and Nature of Data

The study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and Advance, assets and profits are directly obtained from the Balance Sheet and Profit and Loss account of the concerned bank's annual reports.

Supplementary data and information are collected from number of institution and authoritative sources like NRB, NEPSE, SEBON, web sites etc. For the additional information, informal-formal talks to the concerned head of the department of the bank were also done.

3.3 Population and Sample

There are 27 commercial banks all over Nepal. In this study of deposit mobilization of commercial banks in Nepal, Everest Bank Limited and Siddhartha Bank Limited are studied. Where, 27 commercial banks are taken as the population and SBL and EBL are chosen as the sample banks to reflect the picture of deposit mobilization.

3.4 Method of Data Analysis

Analysis and presentation of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The financial and statistical tools are most reliable. In this study various financial, statistical and accounting tools have been used. These tools make the analysis more effective, convenience, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the certain goals.

- Financial Tools
- Statistical Tools

3.4.1Financial Tools

Analysis and interpretation of various ratio should give experienced, skilled and analysis of a better understanding of a financial condition and performance of the form than they would obtain from analysis of the financial data alone. The type of analysis varies according to specific interest of the party involved. Financial tools basically help to identify the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Liquidity Ratio

- Cash and Bank Balance to Total Deposit Ratio = $\frac{\text{Cash and Bank Balance}}{\text{Total Desposits}}$
- Cash Reserve Ratio = $\frac{\text{NRB Bank Balance}}{\text{Total Desposits}}$
- Investment on Govt. Securities on Total Deposit

  = $\frac{\text{Investment on Govt. securities}}{\text{Total Dposit}}$

Assets Management Ratio

- Loan and Advance to Total Deposit Ratio $= \frac{\text{Total Loan and Advances}}{\text{Total Dposit}}$
- Total Investment to Total Deposit Ratio $= \frac{\text{Total Investment}}{\text{Total Dposit}}$
- Loan and Advance to Total Working Fund Ratio $= \frac{\text{Total Loand and Advances}}{\text{Total Working Fund}}$
- Loan and Advance to Total Assets Ratio $= \frac{\text{Loan and Advances}}{\text{Total Assets}}$
- Investment on Government Securities to Total Working Fund Ratio

  $= \frac{\text{Investment on Govt. securities}}{\text{Total Working Fund}}$

Profitability Ratio

- Return on Loan and Advance Ratio $= \frac{\text{Net Profit (Loss)}}{\text{Loan and Advances}}$
- Return on Total Working Fund Ratio $= \frac{\text{Net Profit After Tax}}{\text{Total Working Fund}}$
- Total Interest Earned to Total Working Fund Ratio $= \frac{\text{Total Interest Income}}{\text{Total Working Fund}}$
- Total Interest Expenses to Total Working Fund Ratio $= \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$

Risk Ratio

Formula: Probability of getting if exposed/ probability of getting if not exposed

- Liquidity Risk Ratio $= \frac{\text{Cash and Bank Balance}}{\text{Total Desposits}}$
- Credit Risk Ratio $= \frac{\text{Total Investment + Total Loan and Advances}}{\text{Total Assets}}$

Growth Ratio

Simply using past and present values in to the following formula

(present) – (past) / (past). Get a fraction as an answer and express decimal answer in percentage .

- Growth Ratio of Total Deposits
- Growth Ratio of Total Investment
- Growth Ratio of Loan and Advance
- Growth Ratio of Net Profit

3.4.2 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 has been used, which are presented below:

- Karl Pearson's of Coefficient of Correlation Analysis
- Mean ($\overline{X}$)
- Standard Deviation (S.D)
- Coefficient of Variation (C.V)
- Probable Error (P.E)
- Trend Analysis

Karl Pearson's Coefficient of Correlation Analysis

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between those variables and helps the selected banks to make appropriate investment policy regarding to profit maximization and deposit collection; fund mobilization through providing loan and Advance.

Correlation of coefficient $(r) = \frac{N\sum xy}{\sqrt{\sum x^2}\sqrt{\sum y^2}}$

Where,

n = number of observations in series X and Y

X = sum of observations in series X

Y = sum of observations in series Y^2

X =sum of squared observations in series X ^{2}

Y = sum of squared observations in series Y

XY = sum of the product of observations in series X and Y

For the purpose of decision-making, interpretation is based on following term:

When r = 1, there is perfect positive correlation.

When r = -1, there is perfect negative correlation.

When r = 0, there is no correlation.

When ‘r’ lies between 0.7 to 0.999 (-0.7 to 0.999), there is a high degree of positive (or negative) correlation.

When ‘r’ lies between 0.5 to 0.699, there is moderate degree of correlation.

When ‘r’ is less than 0.5, there is low degree of correlation.

Karl Pearson's correlation coefficient has been used to find out the relationship between the following variables:

Coefficient of Correlation between Loan and Advance and Total Deposit

Correlation coefficient between deposits and loan and Advance measures the degree of relationship between two variables i.e. X and Y. In this analysis, deposit is independent variables (X) and loan and Advance is dependent variables (Y). The main purpose of calculating correlation coefficient is to justify whether the deposits are significantly used in proper way or not and whether there is any relationship between these two variables.

Coefficient of Correlation between Total Investment and Total Deposit

Correlation coefficient between deposit and investment is to measure the degree of relationship between deposit and total investment. In this analysis, deposit is independent variables (X) and total investment is dependent variables (Y).

Coefficient of Correlation between Net profit after tax and Total Deposit

Correlation coefficient between Net profit and total deposit is to measure the degree of relationship between net profit and total deposit. In this analysis, deposit is independent variables (X) and total net profit is dependent variables (Y).

Mean ($\overline{X}$)

The statistical mean refers to the mean or average that is used to derive the central tendency of observations in the sample. It is determined by adding all the data points in a population and then dividing the total by the number of points. The resulting number is known as the mean or the average. It represents the entire data which lies almost between the two extremes. In this study it is used in data related to deposit of sample banks over five years. It is calculated as: Arithmetic Mean: Arithmetic mean is the average return over periods.

It is calculated by, $\overline{X} = \dfrac{X1 + X2 + X3 + ...Xn}{n}$

Or, $\overline{X} = \dfrac{\sum X}{n}$

Where,

$\overline{X}$ = Arithmetic mean return

$X1 + X2 + X3 + ...Xn$ = Set of observations

n = total no. of observations

$\sum X$ = Sum of given observation

Standard Deviation (S.D)

Karl Pearson first introduced the concept of standard deviation in 1983. Standard deviation is the positive square root of the arithmetic average of the squares of all the deviation measured from the arithmetic average of the series. The standard deviation measures the absolute dispersion of a distribution. Greater the amount of dispersion the greater the standard derivation i.e. greater will be the magnitude of the deviation of the values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series. Standard Deviation is denoted by a Greek letter 'σ' (Sigma) and is calculated as follows.

Standard Deviation (σ) = $\sqrt{\dfrac{\sum(X - \overline{X})^2}{N}}$

Where,

N = Number of items in the series.

$\overline{X}$ = Mean

X = Variable

Coefficient of Variation (C.V)

The coefficient of variation (CV) is a measure of relative variability. It is s the ratio of the standard deviation to the mean. Highest the coefficient of variation, greater the level of dispersion around the mean, lower the value of the coefficient of variation, the more precise the estimate. It is generally expressed as a percentage. The coefficient of dispersion based on standard deviation multiplied by 100 is known as coefficient of Variance and written, as CV is given by,

$$CV = \frac{\text{Standard Deviation}}{\text{Mean}} \times 100$$

Probable Error (P.E)

The probable error of the co-efficient of correlation helps in interpreting its value. With the help of probable error, it is possible to determine the reliability of the value of coefficient in so far as it depends on the conditions of random sampling. The probable error of the coefficient of correlation is obtained as follows:

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

Where r is coefficient of correlation and n is the number of pairs of items. The following general rules are taken to interpret the value of r:

If the value of 'r' is less than the probable error, there is no evidence of correlation, i.e. the value of 'r' is not at all significant.

If the value of 'r' is more than six times the probable error, the existence of correlation is practically certain, i.e. the value of 'r' is significant.

Trend Analysis

Trend analysis has been a very useful and commonly applied statistical tool to forecast the future events in quantitative terms. On the basis of tendencies in the dependent variables in the past periods, the future trend is forecasted. This analysis takes the historical data as the basis of forecasting. This method of forecasting the future trend is based on the assumptions that the past tendencies of the variables are repeated in the future of the past events affects the future events significantly. The future trend is forecasted by using the following formula:

$$Y = a + bx$$

Where,

Y = The dependent variable

a = The origin i.e. arithmetic mean

b = The slope coefficient i.e. rate of change

X = The independent variable

3.5 Research Framework and Definition of Variables

The study has been followed up below mentioned framework.

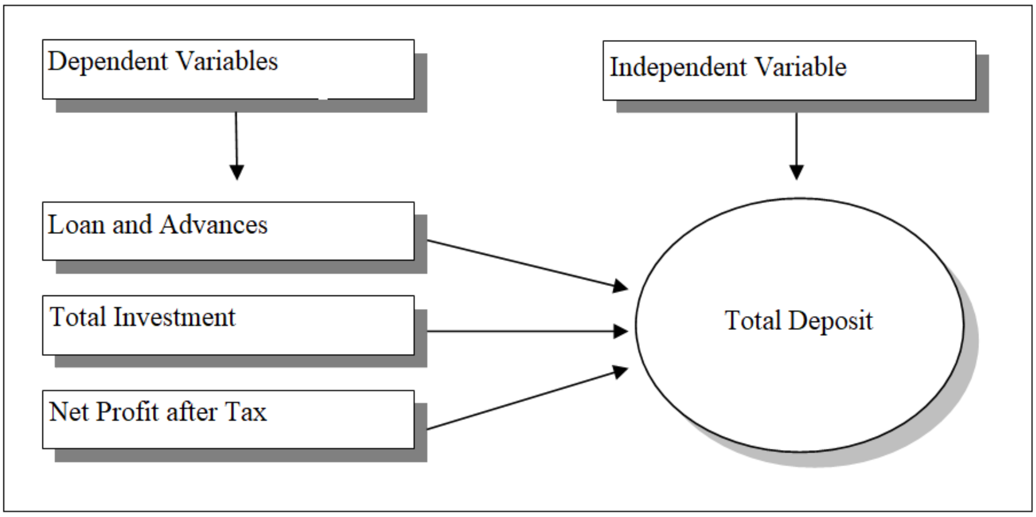

Figure 1 Research Framework

Total Deposit

Total Deposits means all deposits of the Company and its Subsidiaries. Total Deposits means at any time the aggregate amount of customer. Total deposit mobilization mean out of total deposit the cash distributed to different sectors.

Loan and Advance

Loans are a source of long-term financing (typically more than a year), whereas the Advance are a source of short-term financing, that is, to be repaid within less than a year. The monetary value of an advance is usually less than that compared to a loan.

Total Investment

Investment generally involves real assets and financial assets. Real investment involves tangible assets such as land and building, factories, machinery that can be used to produce good and service. Where, financial investment involves contracts written on pieces of paper such as common stock, bonds, securities etc.

Net Profit after Tax

Net operating profit after tax (NPAT) is a financial measure that shows how well a company performed through its core operations, net of taxes. NPAT is frequently used in economic value added calculations and is a more accurate look at operating efficiency for leveraged companies.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

This chapter deals with the presentation, analysis and interpretation of statistics, evidence and facts to clarify the research works. Hence the study presents the collected data for various purposes of analysis. The data are analyzed using financial and statistical tools to get values of different variables. The analyzed data and results are presented clearly and simultaneously using tables and graphs. Lastly, each of the results is interpreted in each topics and sub topics.

4.1 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.

4.1.1 Liquidity Ratio

Liquidity Ratio is applied to measure the ability of the firms to meet short term obligations. It measures the speed of firms to convert the firms asset into cash to meet deposit withdraws and other current obligations. This is a quick measure of the liquidity and financial strength of the firm. Various types of liquidity Ratio are applied in these studies, which are explained below:

Cash and Bank Balance to Total Deposit

To have sufficient liquidity to pay the current liabilities the bank needs to have adequate cash and bank balance because cash and bank balance are the most liquid current assets of a firm. This ratio is computed dividing the amount of cash and bank balance by the total deposits. It can be presented as:

$$\text{Cash and Bank balance to Total Deposit Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Desposits}}$$

Where, cash and bank balance includes cash on hand and bank balance with other financial institutions. Total deposits consist of deposits on current account, margin account, saving account, fixed account, money at call and short notice and other deposits.

Table 1

Cash and Bank Balance to Total Deposit Ratio

(Rs in Millions)

FY	SBL			EBL		
	CBB	TD	Ratio%	CBB	TD	Ratio%
2015/16	1,940.58	64,934.36	2.99	2,514.95	93,735.48	2.68
2016/17	2,573.70	76,339.49	3.37	3,060.85	95,094.46	3.22
2017/18	4,515.44	94,245.39	4.79	10,065.42	115,511.71	8.71
2018/19	8,196.42	114,555.90	7.15	7,759.12	129,568.15	5.99
2019/20	5,970.14	139,172.36	4.29	9,646.95	143,545.48	6.72
Mean			4.52			5.46
S.D.			1.64			2.51
C.V.%			36.25			45.92

(Noted from: Annual Reports of SBL &EBL)

The table shows the mobilization of total deposit to maintain cash and bank balance in order to have enough liquidity. The cash and bank balance in both the selected banks are in fluctuating trend, while the total deposit is in increasing trend. EBL has maintained the higher ratio at 8.71 percent while SBL maintained 7.15 percent during the study period. The average ratio of SBL and EBL is 4.52 and 5.46 percent respectively.

Comparing two banks on the ground of cash and bank balance to total deposit, it can be concluded that EBL has mobilized higher portion of total deposit in maintaining cash and balance than SBL does in order to have sufficient liquidity position. But, the uniformity in ratio of SBL is 36.25 percent is more consistent than in EBL 45.92 percent.

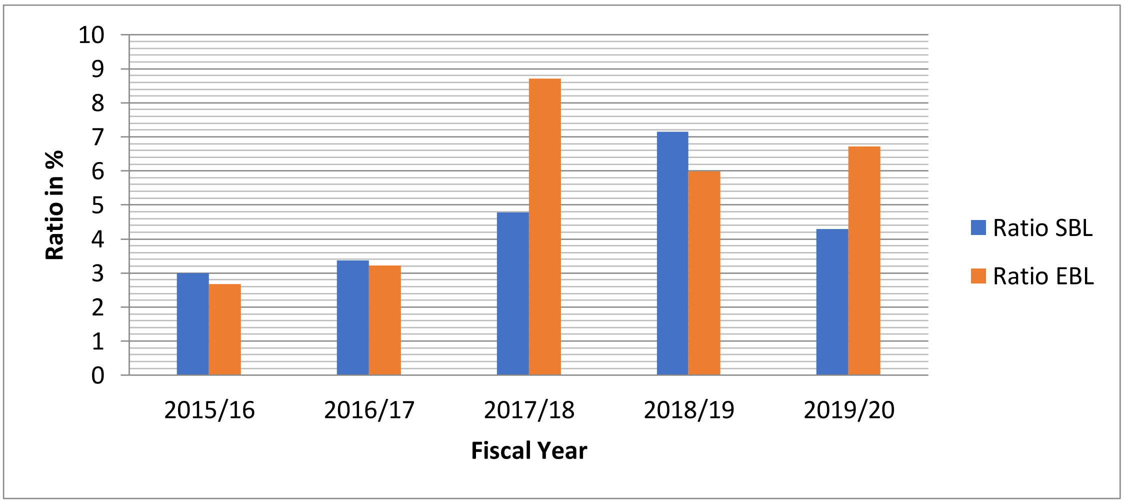

Figure 2 Cash and Bank Balance to Total Deposit Ratio

Cash Reserve Ratio

Under cash reserve ratio (CRR), the commercial banks have to hold a certain minimum amount of deposit as reserves with the central bank. The percentage of cash required to be kept in reserves as against the bank's total deposits, is called the Cash Reserve Ratio. It can be presented as:

$$\text{NRB Bank balance to Total Deposit Ratio} = \frac{\text{NRB Bank Balance}}{\text{Total Desposits}}$$

Where, NRB bank balance includes minimum amount of deposit as reserve. Total deposits consist of deposits on current account, margin account, saving account, fixed account, money at call and short notice and other deposits.

Table 2

Cash Reserve Ratio

FY	SBL			EBL		
	Amount	TD	Ratio%	Amount	TD	Ratio %
2015/16	3,847.27	64,934.36	5.92	13,356.02	93,735.48	14.25
2016/17	6,672.33	76,339.49	8.74	14,577.08	95,094.46	15.33
2017/18	6,454.93	94,245.39	6.85	18,938.75	115,511.71	16.40
2018/19	6,105.97	114,555.90	5.33	23,304.57	129,568.15	17.99
2019/20	9,507.95	139,172.36	6.83	19,972.67	143,545.48	13.91
Mean			6.74			15.57
S.D.			1.29			1.66
C.V.%			19.18			10.68

(Noted from: Annual Reports of SBL &EBL)

The table shows NRB bank balance to total deposit ratio. The average ratio of SBL and EBL is 6.74 and 15.57 percent respectively. Comparing two banks on the ground NRB bank balance to total deposit, it can be concluded that EBL has mobilized higher portion of total deposit in maintaining NRB balance than SBL does.

In contrast, when CRR increases, the availability of fund decreases with the banks, which means that less money to loan out is available resulting to fewer interest earnings and decline in profitability. The increase and decrease of CRR will result in non-availability and availability of fund in the banks denoting liquidity status of the banks. However, CRR itself does not earn any income for the financial institutions but acts as a hindrance to the profitability of the banks. The specified regulatory requirement of CRR to be maintained at the central bank of Nepal has been stated different rate for different types of bank and financial institutions.

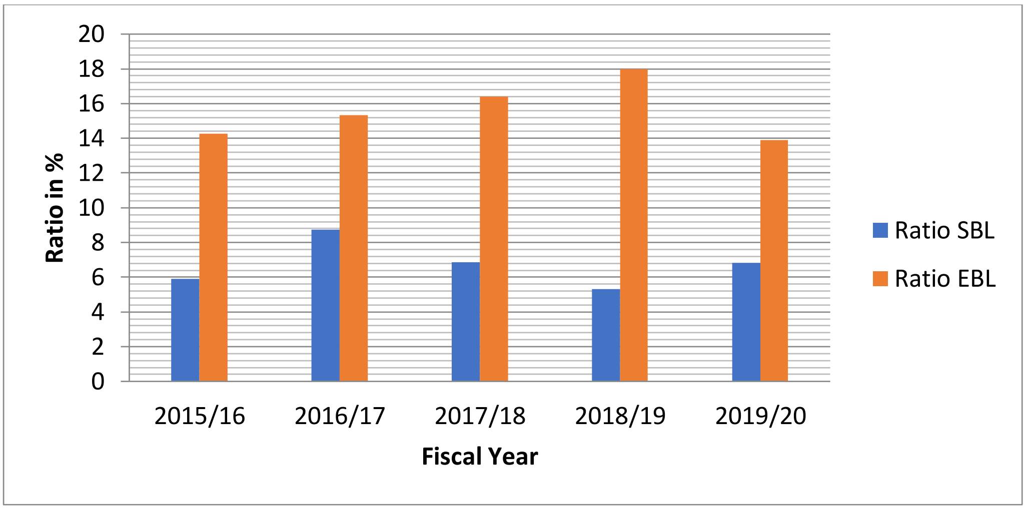

Figure 3 Cash Reserve Ratio

Investment on Government Securities to Total Deposit

This ratio is used to find the percentage of total deposit invested on government securities treasury bills and development bonds. It can be mentioned as:

$$\text{Investment on Govt. Securities on Total Deposit} = \frac{\text{Investment on Govt. securities}}{\text{Total Dposit}}$$

Table 3

Investment on Government securities to Total Deposit Ratio

FY	SBL			EBL		
	Inv. on Govt. Securities	TD	Ratio%	Inv. on Govt. Securities	TD	Ratio%
2015/16	9,823.52	64,934.36	15.13	18,198.74	93,735.48	19.41
2016/17	11,435.22	76,339.49	14.98	11,964.56	95,094.46	12.58
2017/18	18,877.94	94,245.39	20.03	15,292.31	115,511.71	13.24
2018/19	17,776.00	114,555.90	15.52	21,434.20	129,568.15	16.54
2019/20	22,783.31	139,172.36	16.37	28,831.51	143,545.48	20.09
Mean			16.41			16.37
S.D.			2.10			3.44
C.V.%			12.78			20.99

(Noted from: Annual Reports of SBL &EBL)

The above table shows EBL has invested more portions of current assets in government securities i.e. 20.09 percent in the year 2019/20 in comparison to SBL during the study period. The mean ratio of SBL is highest i.e. 16.41 percent than that of EBL. Where, coefficient of variation of EBL is higher than that of SBL (i.e. 20.99%>12.78%). It seems that SBL is more consistent to make investment on government securities than EBL.

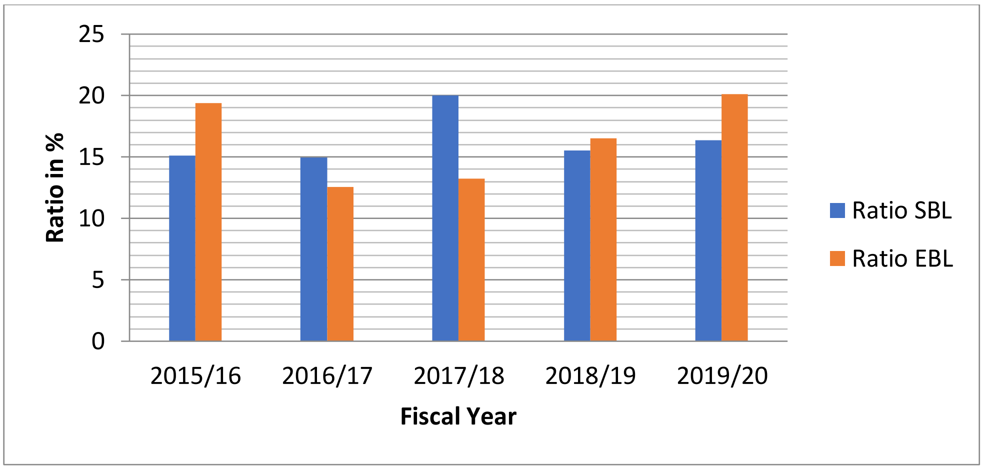

Figure 4 Investment on Government Securities to Total Deposit Ratio

4.1.2 Assets Management Ratio /Activity Ratio

The asset management Ratio, measures how effectively the firm is managing its assets. These Ratios are designed to answer this question: does the total amount of each type of asset as reported on the balance sheet seem reasonable or not. If a firm has excessive investments in assets then its capital costs will be unduly high and its stock price will suffer.

In this study this ratio is used to indicate how efficiently the selected banks have arranged and invested their limited resources. The following financial Ratios related to deposit mobilization are calculated under asset management ratio and interpretation is made by these calculations.

Loan and Advance to Total Deposit Ratio

The loan-to-deposit ratio is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. Increase in loan and Advance results increase in profit of the banks. Higher ratio indicates better utilization of fund.

This ratio is calculated to find out how successfully the selected banks are utilizing their total collections or deposits on loan and Advance. Greater ratio shows the better utilization of total deposits. This ratio can be obtained dividing loan and Advance by total deposits, which can be shown as follows:

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

Table 4

Loan and Advance to Total Deposit Ratio

FY	SBL			EBL		
	LA	TD	Ratio%	LA	TD	Ratio %
2015/16	55,350.89	64,934.36	85.24	67,955.11	93,735.48	72.50
2016/17	65,986.37	76,339.49	86.44	77,287.76	95,094.46	81.27
2017/18	86,078.75	94,245.39	91.33	89,927.57	115,511.71	77.85
2018/19	104,877.10	114,555.90	91.55	104,644.20	129,568.15	80.76
2019/20	123,578.95	139,172.36	88.80	112,211.74	143,545.48	78.17
Mean			88.67			78.11
S.D.			2.84			3.49
C.V.%			3.20			4.46

(Noted from: Annual Reports of SBL &EBL)

The above table shows that these two banks have mobilized their collected deposits on loan and Advance in an increasing trend during the study period. SBL has mobilized 88.67 percent of its collected deposit in loan and advance which is comparatively higher than that of EBL in average, coefficient of variation of SBL is 3.20 percent which shows that SBL is more stable than EBL in mobilizing collected deposit.

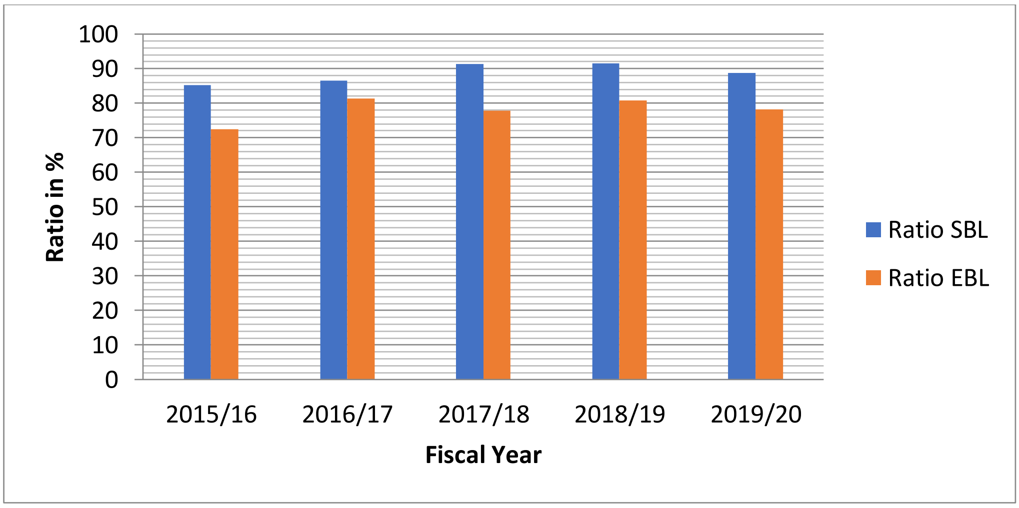

Figure 5 Loan and Advance to Total Deposit Ratio

Total Investment to Total Deposit

The bank mobilizes its deposit collection through investment in various sectors like government securities, corporate shares and debentures and others like certificate of deposit, mutual fund to earn interest, dividend and capital gain. The mobilization of total deposit in investment is computed as follows:

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

Table 5

Investment to Total Deposit Ratio

FY	SBL			EBL		
	Inv .	TD	Ratio%	Inv.	TD	Ratio%
2015/16	9,823.52	64,934.36	15.13	18,198.74	93,735.48	19.41
2016/17	11,435.22	76,339.49	14.98	11,964.56	95,094.46	12.58
2017/18	19,032.58	94,245.39	20.19	15,554.19	115,511.71	13.47
2018/19	17,899.35	114,555.90	15.62	21,769.68	129,568.15	16.80
2019/20	22,919.91	139,172.36	16.47	29,213.57	143,545.48	20.35
Mean			16.48			16.52
S.D.			2.16			3.46
C.V.%			13.09			20.96

(Noted from: Annual Reports of SBL &EBL)

From the above table, it can be concluded that both the banks have the Ratio of increasing trend during the study period. In average EBL has invested more amount of its total deposit in comparison to SBL. The coefficient of variation of SBL is 13.09 percent which is nearly half than that of EBL. It indicates that SBL is much more consistent to make investment of total deposit than EBL.

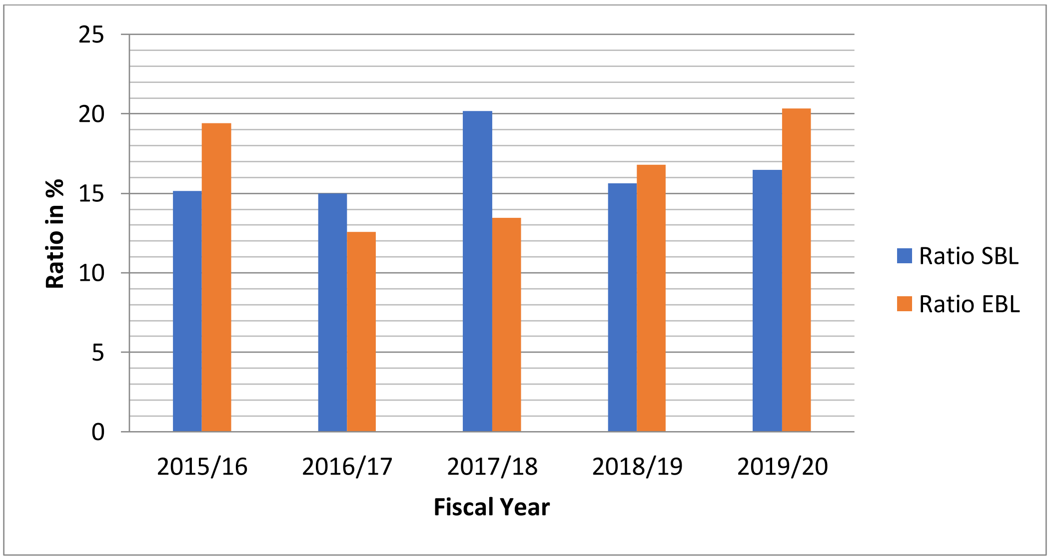

Figure 6 Investment to Total Deposit Ratio

Loan and Advance to Total Working Fund Ratio

The main element of total working fund is loan and Advance. This ratio indicates the ability of selected banks in terms of earning high profit from loan and Advance. Loan and Advance to working fund ratio can be obtained dividing loan and Advance amount by total working fund. It is calculated as follows,

$$\text{Loan and Advance to Total Working Fund Ratio} = \frac{\text{Total Loand and Advances}}{\text{Total Working Fund}}$$

Where, total working fund includes the entire funds mobilized to earn profit. That is Total Working Fund = Total Deposits + Borrowings

Table 6

Loan and Advance to Total Working Fund Ratio

FY	SBL			EBL		
	LA	TWF	Ratio%	LA	TWF	Ratio %
2015/16	55,350.89	65,844.36	84.06	67,955.11	93,735.73	72.50
2016/17	65,986.37	76,845.20	85.87	77,287.76	95,109.22	81.26
2017/18	86,078.75	94,245.39	91.33	89,927.57	115,511.71	77.85
2018/19	104,877.10	114,555.90	91.55	104,644.20	129,568.15	80.76
2019/20	123,578.95	139,172.36	88.80	112,211.74	143,545.48	78.17
Mean			88.32			78.11
S.D.			3.31			3.48
C.V.%			3.75			4.46

(Noted from: Annual Reports of SBL &EBL)

Above table describes the loan and Advance to total working fund ratio of both the sample banks is in fluctuating trend. During the study period SBL and EBL have highest ratio 91.55 and 81.26 percent in year 2018/19 and 2016/17 respectively. On average SBL maintains highest ratio of 88.32 percent than EBL. And also, the coefficient of variation SBL is of lowest variation i.e. 3.75 percent.

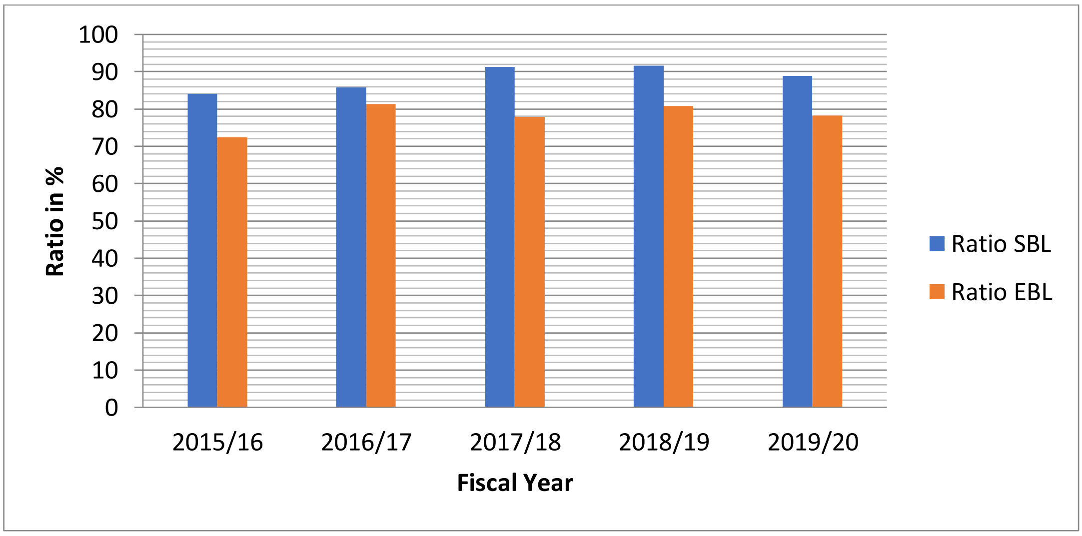

Figure 7 Loan and Advance to Total Working Fund Ratio

Investment on Government Securities to Total Working Fund Ratio

Investment on government securities to total working fund ratio shows how much part of investment is there on government securities. Here, investment on government securities includes investment on Nepal Government Treasury Bill, Saving Bonds and other securities. It can be obtained by using following formula:

$$\text{Investment on Government of TWF Ratio} = \frac{\text{Investment on Govt. securities}}{\text{Total Working Fund}}$$

Table 7

Investment on Government securities to Total Working Fund Ratio

FY	SBL			EBL		
	Inv. On Govt. Sec.	TWF	Ratio%	Inv. On Govt. Sec.	TWF	Ratio%
2015/16	9,823.52	65,844.36	14.92	18,198.74	93,735.73	19.41
2016/17	11,435.22	76,845.20	14.88	11,964.56	95,109.22	12.58
2017/18	18,877.94	94,245.39	20.03	15,292.31	115,511.71	13.24
2018/19	17,776.00	114,555.90	15.52	21,434.20	129,568.15	16.54
2019/20	22,783.31	139,172.36	16.37	28,831.51	143,545.48	20.09
Mean			16.34			16.37
S.D.			2.15			3.44
C.V.%			13.14			21.00

(Noted from: Annual Reports of SBL &EBL)

Above comparative table shows the investment on government securities to total working fund of both SBL and EBL are in fluctuating trend. SBL and EBL have the highest ratio of 20.03 and 20.09 percent in year 2017/18 and 2019/20 respectively. Likewise they have the lowest ratio of 14.88 and 12.58 percent in year 2016/17 respectively. EBL has highest mean ratio of 16.37 percent than SBL. The coefficient of variation indicates SBL (i.e. 13.14%) has more stable ratio than that of EBL.

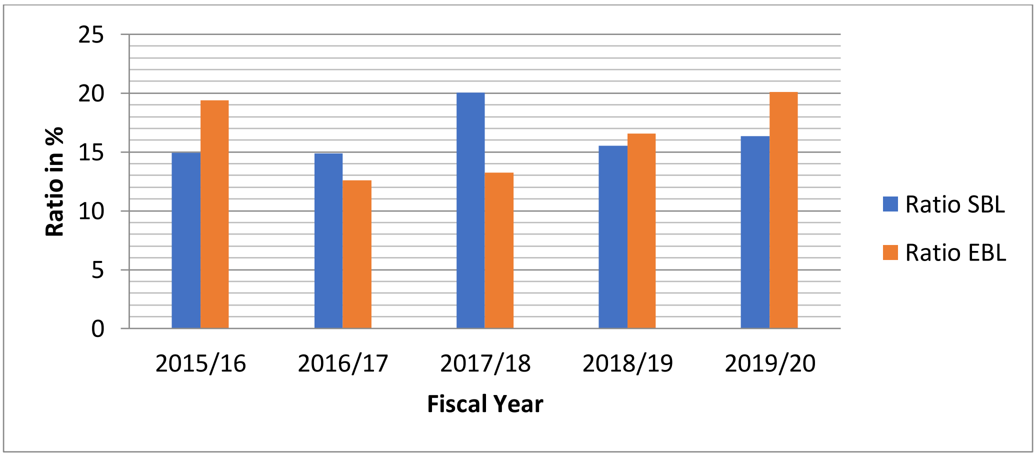

Figure 8 Investment on Government Securities to Total Working Fund Ratio

Loan and Advance to Total Assets Ratio

The loans to assets ratio measure the total loans outstanding as a percentage of total assets. The higher this ratio indicates a bank is loaned up and its liquidity is low. The higher the ratio, the more risky a bank may be to higher defaults.

This figure is determined as follows:

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

Table 8

Loan and Advance to Total Assets Ratio

FY	SBL			EBL		
	LA	TA	Ratio%	LA	TA	Ratio %
2015/16	55,350.89	74,826.33	73.97	67,955.11	113,885.05	59.67
2016/17	65,986.37	89,879.40	73.42	77,287.76	116,510.45	66.34
2017/18	86,078.75	120,257.35	71.58	89,927.57	144,811.15	62.10
2018/19	104,877.10	154,401.00	67.93	104,644.20	170,077.53	61.53
2019/20	123,578.95	182,841.38	67.59	112,211.74	185,023.19	60.65
Mean			70.90			62.06
S.D.			3.00			2.56
C.V.%			4.23			4.13

(Noted from: Annual Reports of SBL &EBL)

Above table describes the loan and Advance to total assets ratio of both the sample banks is in increasing trend. During the study period SBL and EBL have highest ratio 73.97 and 66.34 percent in year 2015/16 and 2016/17 respectively. On average SBL maintains highest ratio of 70.90 percent than EBL. And also, the coefficient of variation EBL is of lowest variation i.e. 4.13 percent.

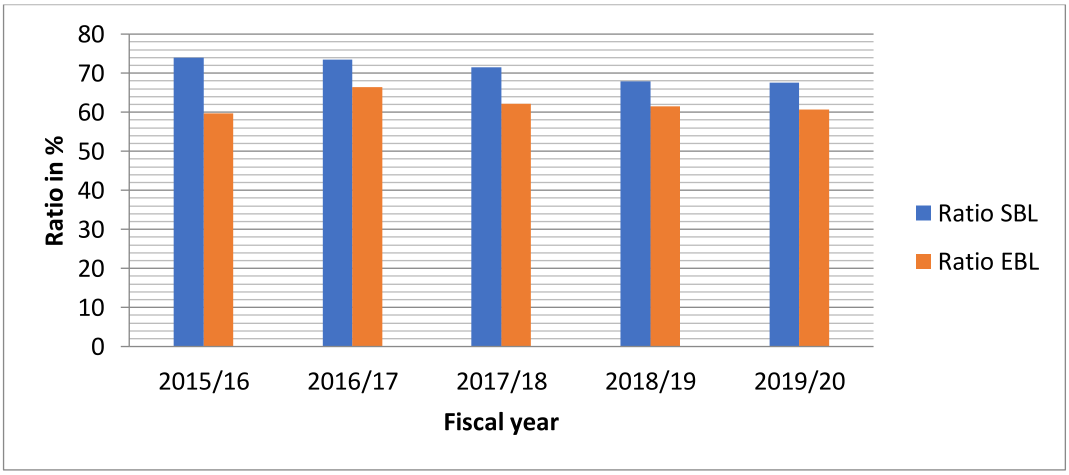

Figure 9 Loan and Advance to Total Assets Ratio

4.1.3 Profitability Ratio

Profit is the positive difference between total revenues and total cost over a certain period of time. Profitability Ratio show the combined effects of liquidity, assets management, and debt on operating results. Profitability Ratio are very helpful to measure the overall efficiency of operations of a firm. It is a true indication of the financial performance of each and every business organization. Here profitability Ratio are calculated and evaluated in terms of the relationship between net profit and assets. Profitability of the firms can be presented through the following ways:

Return on Loan and Advance Ratio

Return on loan and Advance ratio shows how efficiently the banks have utilized their resources to earn good return from provided loan and Advance. This ratio is computed dividing net profit (loss) by the total amount of loan and Advance and can be calculated as,

$$\text{Return on loan and Advance Ratio} = \frac{\text{Net Profit (Loss)}}{\text{Loan and Advances}}$$

Table 9

Return on Loan and Advance Ratio

FY	SBL			EBL		
	NPAT	LA	Ratio%	NPAT	LA	Ratio%
2015/16	1,254.92	55,350.89	2.27	1,730.21	67,955.11	2.55
2016/17	1,488.04	65,986.37	2.26	2,006.25	77,287.76	2.60
2017/18	1,998.99	86,078.75	2.32	2,581.68	89,927.57	2.87
2018/19	2,318.85	104,877.10	2.21	3,054.12	104,644.20	2.92
2019/20	2,193.84	123,578.95	1.78	2,516.24	112,211.74	2.24
Mean			2.17			2.63
S.D.			0.22			0.27
C.V.%			10.25			10.39

(Noted from: Annual Reports of SBL &EBL)

In the above analysis the return on loan and Advance of EBL and SBL have the ratio of increasing trend. During the study period, EBL has a higher Mean of 2.63 percent and SBL has slightly lower mean of 2.17 percent. The coefficient of variation of SBL is 10.25 percent and EBL is 10.39 percent which shows that SBL is comparatively more stable ratio than that of EBL.

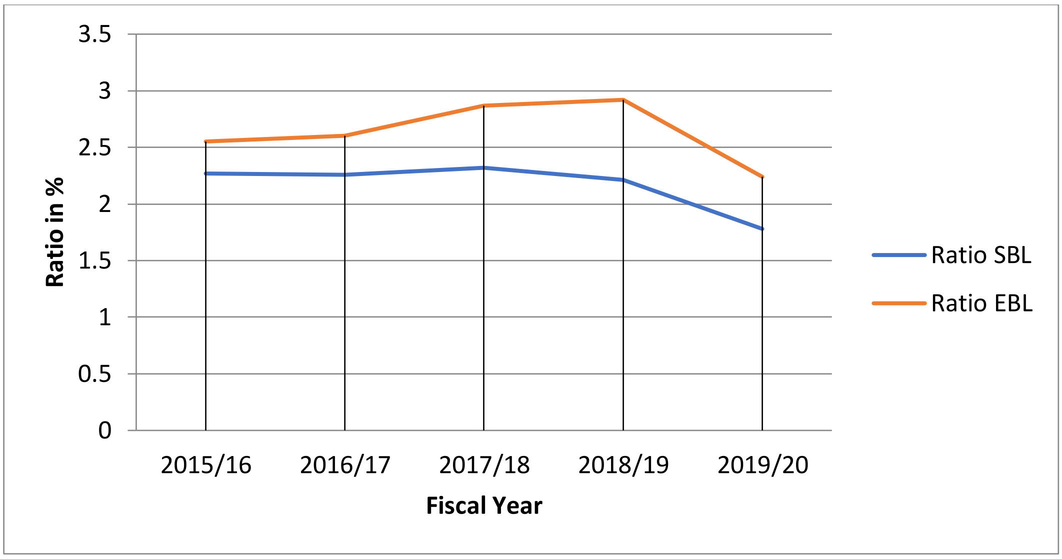

Figure 10 Return on Loan and Advance Ratio

Return on Total Working Fund Ratio

Return on total assets ratio measures the profit earning capacity of the banks by utilizing available resources i.e. total assets. If the banks well manage and efficiently utilize the assets, it will yield higher return. It is computed as:

$$\text{Return on Total Working Fund Ratio} = \frac{\text{Net Profit After Tax}}{\text{Total Working Fund}}$$

Table 10

Return on Total Working Fund Ratio

FY	SBL			EBL		
	NPAT	TWF	Ratio%	NPAT	TWF	Ratio %
2015/16	1,254.92	65,844.36	1.91	1,730.21	93,735.73	1.85
2016/17	1,488.04	76,845.20	1.94	2,006.25	95,109.22	2.11
2017/18	1,998.99	94,245.39	2.12	2,581.68	115,511.71	2.23
2018/19	2,318.85	114,555.90	2.02	3,054.12	129,568.15	2.36
2019/20	2,193.84	139,172.36	1.58	2,516.24	143,545.48	1.75
Mean			1.91			2.06
S.D.			0.21			0.26
C.V.%			10.76			12.41

(Noted from: Annual Reports of SBL &EBL)

In the above analysis the return on loan and Advance of EBL and SBL have the ratio of increasing trend. During the study period, EBL has a higher Mean of 2.06 percent and SBL has slightly lower mean of 1.91 percent. The coefficient of variation of SBL is 10.76 and EBL is 12.41 percent which shows that SBL is comparatively more stable than that of EBL.

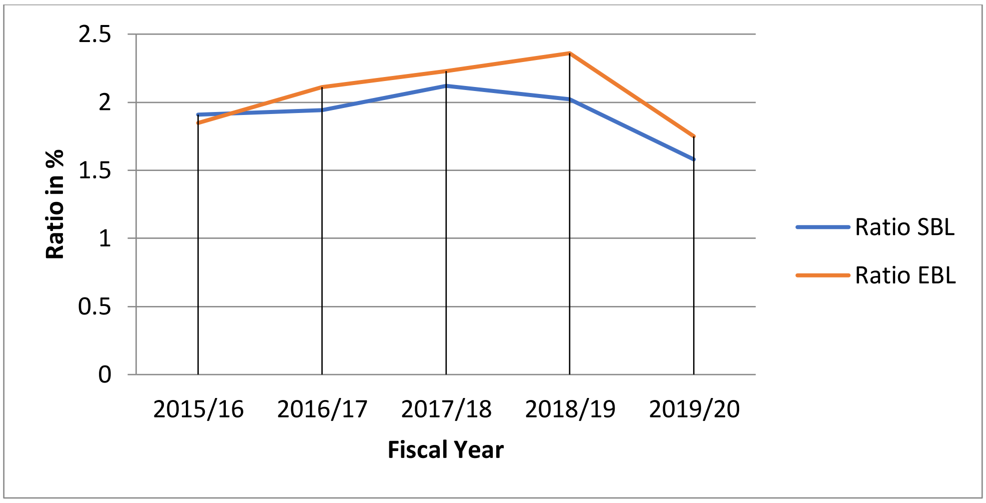

Figure 11 Return on Total Working Fund Ratio

Total Interest Earned to Total Working Fund Ratio

This ratio reflects the extent to which the banks are successful in mobilizing the total assets to acquire income as interest. This ratio actually reveals the earning capacity of commercial banks by mobilizing its assets. Higher the ratio higher will be the income as interest. It can be calculated as follows:

$$\text{Total Interest Income to TWF Ratio} = \frac{\text{Total Interest Income}}{\text{Total Working Fund}}$$

Table 11

Total Interest Income to Total Working Fund Ratio

FY	SBL			EBL		
	Int. income	TWF	Ratio%	Int. income	TWF	Ratio%
2015/16	4,118.49	65,844.36	6.25	5,057.08	93,735.73	5.40
2016/17	6,641.47	76,845.20	8.64	6,747.15	95,109.22	7.09
2017/18	10,096.17	94,245.39	10.71	10,103.45	115,511.71	8.75
2018/19	13,009.28	114,555.90	11.36	13,019.44	129,568.15	10.05
2019/20	15,466.13	139,172.36	11.11	13,956.19	143,545.48	9.72
Mean			9.62			8.20
S.D.			2.16			1.94
C.V.%			22.50			23.71

(Noted from: Annual Reports of SBL &EBL)

The above analysis shows the SBL has highest Interest Income to Total Working Fund ratio 11.36 percent in the year 2018/19 and the lowest ratio 6.25 percent in the year 2015/16. Likewise EBL has highest ratio 10.05 percent and lowest ratio 5.40 percent in the year 2018/19 and 2015/16 respectively. SBL has 9.62 percent mean ratio while EBL has only 8.20 percent. The coefficient of variation of SBL is less than EBL. It indicates that interest earning power of SBL is more consistent than EBL.

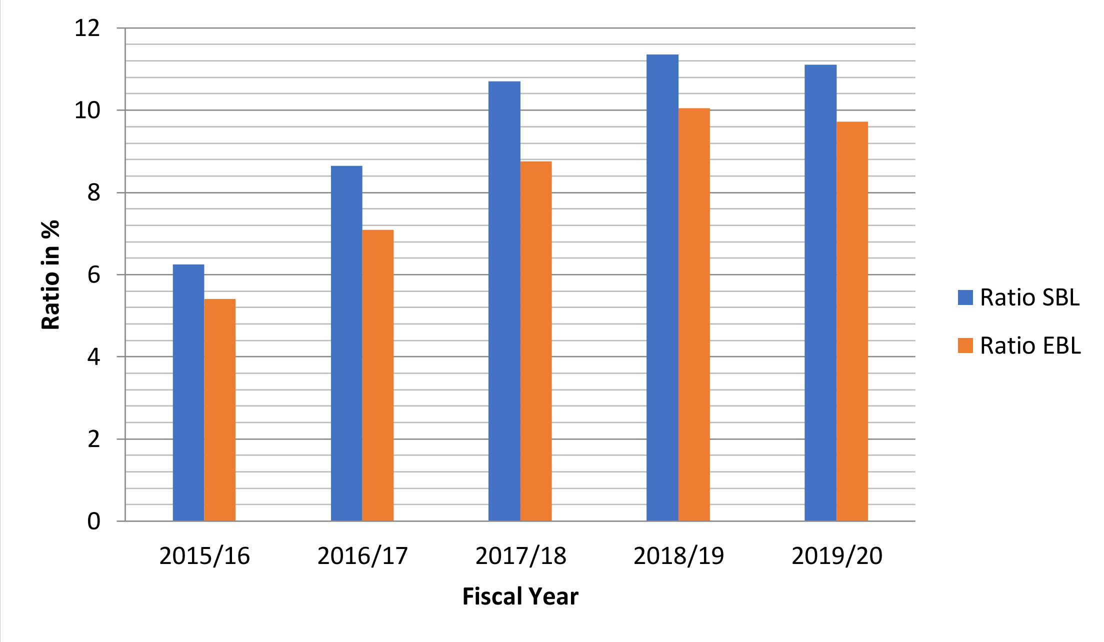

Figure 12 Total Interest Income to Total Working Fund Ratio

Total Interest Expenses to Total Working Fund

This ratio measures the percentage of total interest expenses against total working fund. A high ratio indicates higher interest expenses on total working fund and vice-versa. This ratio is calculated as:

$$\text{Total Interest Paid to Total Working Fund Ratio} = \frac{\text{Total Interest Paid}}{\text{Total Working Fund}}$$

Table 12

Total Interest Expenses to Total Working Fund Ratio

FY	SBL			EBL		
	Int. Ex.	TWF	Ratio%	Int. Ex.	TWF	Ratio %
2015/16	1,989.42	65,844.36	3.02	1,828.49	93,735.73	1.95
2016/17	3,973.96	76,845.20	5.17	3,009.79	95,109.22	3.16
2017/18	6,587.82	94,245.39	6.99	5,233.69	115,511.71	4.53
2018/19	8,277.27	114,555.90	7.23	7,320.85	129,568.15	5.65
2019/20	9,835.12	139,172.36	7.07	8,645.78	143,545.48	6.02
Mean			5.90			4.26
S.D.			1.81			1.71
C.V.%			30.73			40.02

(Noted from: Annual Reports of SBL &EBL)

The above table indicates that the ratio is in an increasing trend. SBL has highest ratio of 7.23 and lowest ratio 3.02 percent in year 2018/19 and 2015/16. Similarly EBL has highest ratio of 6.02 and lowest ratio 1.95 percent in year 2019/20 and 2015/16.The mean ratio of SBL and EBL is 5.90 and 4.26 percent respectively. The coefficient of variation of SBL is more stable than EBL.

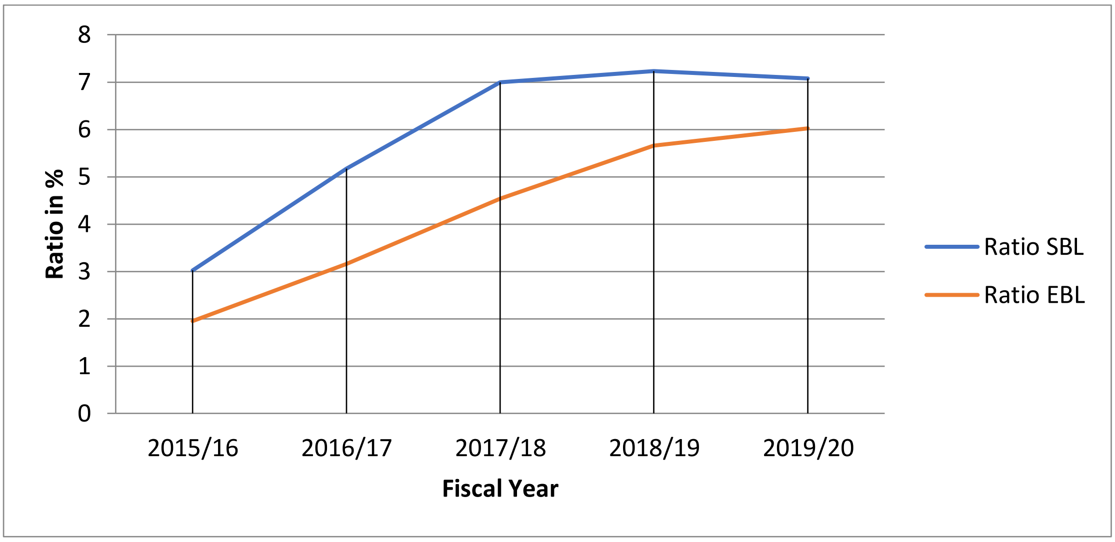

Figure 13 Total Interest Expenses to Total Working Fund Ratio

4.1.4 Risks Ratio

Generally, risk means uncertainty which lies in the business transaction of investment management. When a firm bears risk and uncertainty, profitability and effectiveness of the firm is also increased. This ratio measures the degree of risk involved in the various financial operations. For this study, following risk Ratio are used to analyze and interprets the financial data and investment policy.

Liquidity Risk Ratio

The liquidity risk of the bank defines its liquidity need for deposit. The cash and bank balance are the most liquid assets. The ratio of cash and bank balance to total deposit is an indicator of bank's liquidity of need. This ratio is low if funds are kept idle as cash and bank balance but this reduces profitability. When bank provides loan, its profitability increases and also the risk. Thus, higher liquidity ratio indicates less profitable return and vice-versa. This ratio is calculated by dividing cash and bank balance to total deposit.

$$\text{Liquidity Risk Ratio} = \frac{\text{Cash and Bank Balance}}{\text{Total Deposit}}$$

Table 13

Liquidity Risk Ratio

FY	SBL			EBL		
	CBB	TD	Ratio%	CBB	TD	Ratio %
2015/16	1,940.58	64,934.36	2.99	2,514.95	93,735.48	2.68
2016/17	2,573.70	76,339.49	3.37	3,060.85	95,094.46	3.22
2017/18	4,515.44	94,245.39	4.79	10,065.42	115,511.71	8.71
2018/19	8,196.42	114,555.90	7.15	7,759.12	129,568.15	5.99
2019/20	5,970.14	139,172.36	4.29	9,646.95	143,545.48	6.72
Mean			4.52			5.46
S.D.			1.64			2.51
C.V.%			36.25			45.92

(Noted from: Annual Reports of SBL &EBL)

The table shows the liquidity risk ratio of SBL and EBL The cash and bank balance in both the selected banks are in fluctuating trend, while the total deposit is in increasing trend. EBL has maintained the higher ratio at 8.71 percent while SBL maintained 7.15 percent during the study period. The average ratio of SBL and EBL is 4.52 and 5.46 percent respectively.

The mean ratio of SBL is lower than that EBL (i.e. 4.52% <5.46%). It means the SBL has maintained the lower liquidity risk ratio which means it operates with higher risk of higher profit. The coefficient of variation of SBL is 36.25 percent which is comparatively lower than that of EBL 45.92 percent. It shows that the ratio of SBL is more consistent than EBL.

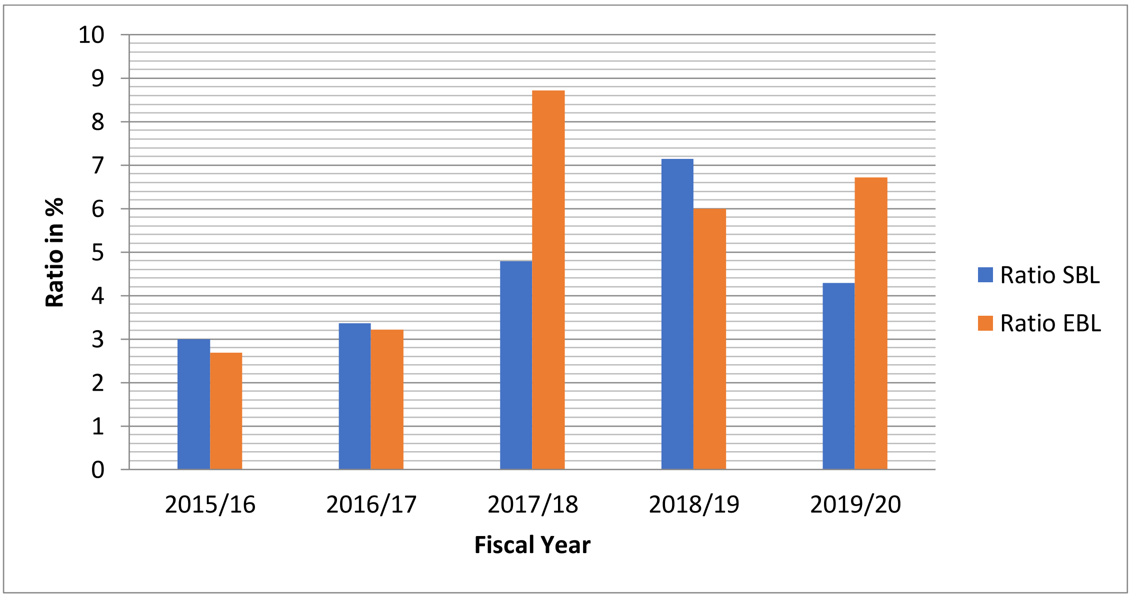

Figure 14 Liquidity Risk Ratio

Credit Risk Ratio

Bank utilizes its collected funds in providing credit to different sectors. There is risk or default for non-repayment of loan. While making investment, bank examines the credit risk involved in the project. Generally credit risk ratio shows the proportion of nonperforming assets in the total investment plus loan and Advance of a bank. It is computed as:

$$\text{Credit Risk Ratio} = \frac{\text{Total Investment + Total Loan and Advances}}{\text{Total Assets}}$$

Table 14

Credit Risk Ratio

FY	SBL			EBL		
	Inv. +LA	TA	Ratio%	Inv. +LA	TA	Ratio %
2015/16	65,174.41	74,826.33	87.10	86,153.85	113,885.05	75.65
2016/17	77,421.59	89,879.40	86.14	89,252.33	116,510.45	76.60
2017/18	105,111.33	120,257.35	87.41	105,481.75	144,811.15	72.84
2018/19	122,776.45	154,401.00	79.52	126,413.88	170,077.53	74.33
2019/20	146,498.86	182,841.38	80.12	141,425.31	185,023.19	76.44
Mean			84.06			75.17
S.D.			3.90			1.58
C.V.%			4.64			2.11

(Noted from: Annual Reports of SBL &EBL)

The above table shows that the credit risk ratio of both the banks is in increasing trend. SBL has maintained the higher ratio at 87.41 percent on the year 2017/18, while EBL maintained 76.60 percent on 2016/17 during the study period. Similarly, SBL maintained lower credit risk ratio on 2018/19 i.e. 79.52 percent and EBL on 2017/18 maintained 72.84 percent. The average ratio of SBL and EBL is 84.06 and 75.44 percent respectively. And the Standard deviation of SBL is higher than EBL (3.90 percent is greater than 1.58 percent).

Comparing two banks on the ground of investment plus loan and Advance to total assets, it can be concluded that SBL has higher mean average than EBL. But, the uniformity in ratio of EBL is 2.11 percent which is more consistent than in SBL which is 4.64 percent. On that basis it can be said the credit risk of EBL is lower than of SBL.

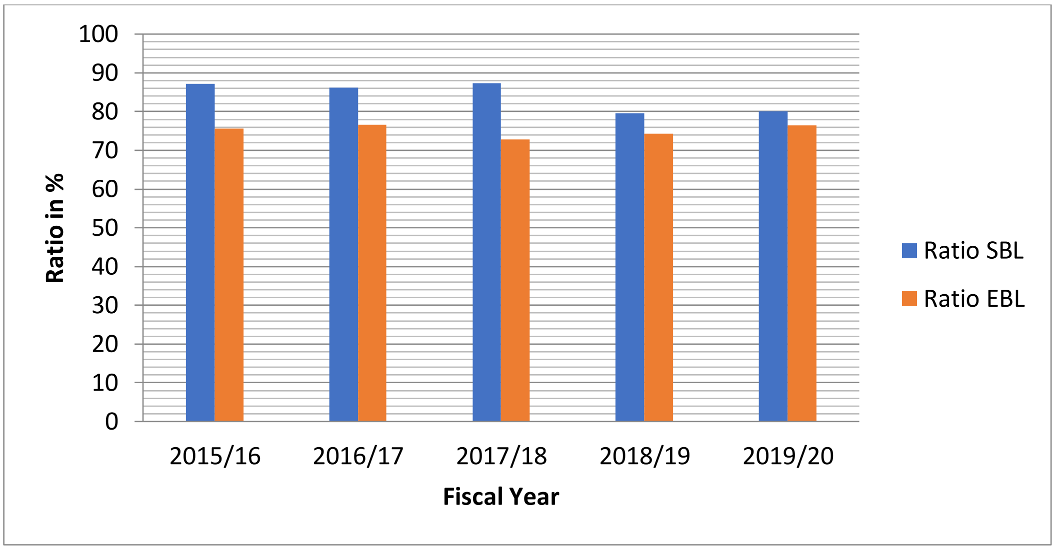

Figure 15 Credit Risk Ratio

4.1.5 Growth Ratio

The growth Ratio represents how well the commercial banks are maintaining their economic and financial position. The higher ratio represents the better performance of the selected firms to calculate, check and analyze the expansion and growths of the selected banks the following growth Ratio are calculated. Growth Ratio is directly related to the fund mobilization and investment of those firms.

Growth Ratio of Total Deposits

Table 15

Growth Ratio of Total Deposits *(Rs in Millions)*

Banks	Total Deposit					Growth Rate %
	2015/16	2016/17	2017/18	2018/19	2019/20	
SBL	64,934.36	76,339.49	94,245.39	114,555.90	139,172.36	21.01%
EBL	93,735.48	95,094.46	115,511.71	129,568.15	143,545.48	11.47%

(*Noted from: Annex 2)*

The table presented above shows that the deposits of EBL and SBL are in increasing trend. The growth ratio of total deposits of EBL seems lower than SBL. i.e. 21.01 percent is greater than 11.47 percent. It reveals that the performance of SBL is better in deposits collection than that of EBL. Growth ratio of total deposit of EBL and SBL can be shown in the following chart.

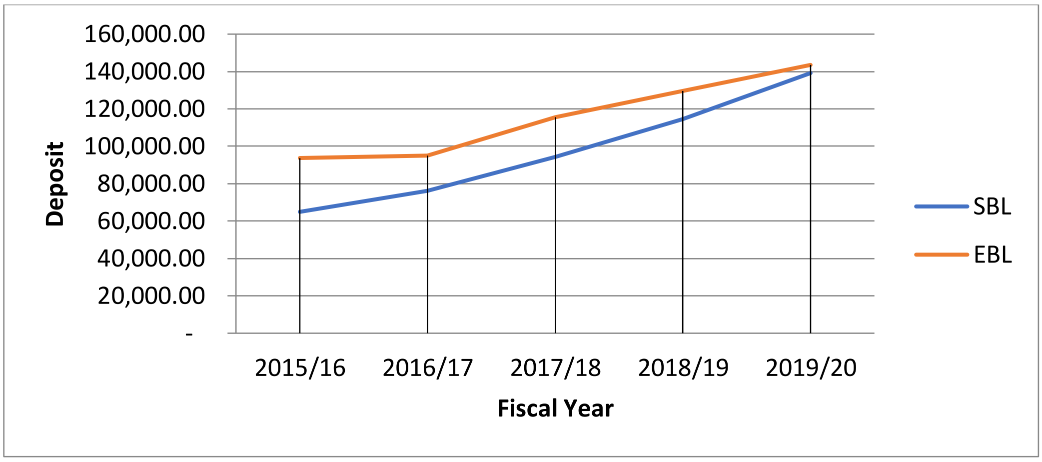

Figure 16 Growth Ratio of Total Deposits

Growth Ratio of Total Investment

Table 16

Growth Ratio of Total Investment *(Rs in Millions)*

Banks	Total Investment					Growth Rate %
	2015/16	2016/17	2017/18	2018/19	2019/20	
SBL	9,823.52	11,435.22	19,032.58	17,899.35	22,919.91	26.23%
EBL	18,198.74	11,964.56	15,554.19	21,769.68	29,213.57	17.48%

(*Noted from: Annex 2)*

The table presented above shows that the investment of EBL and SBL. The growth ratio of total investment of EBL seems lower than SBL. i.e. 17.48 percent is lower than 26.23 percent. It reveals that the performance of SBL is better in mobilizing deposits on it investment than that of EBL. Growth ratio of total investment of EBL and SBL can be shown in the following chart.

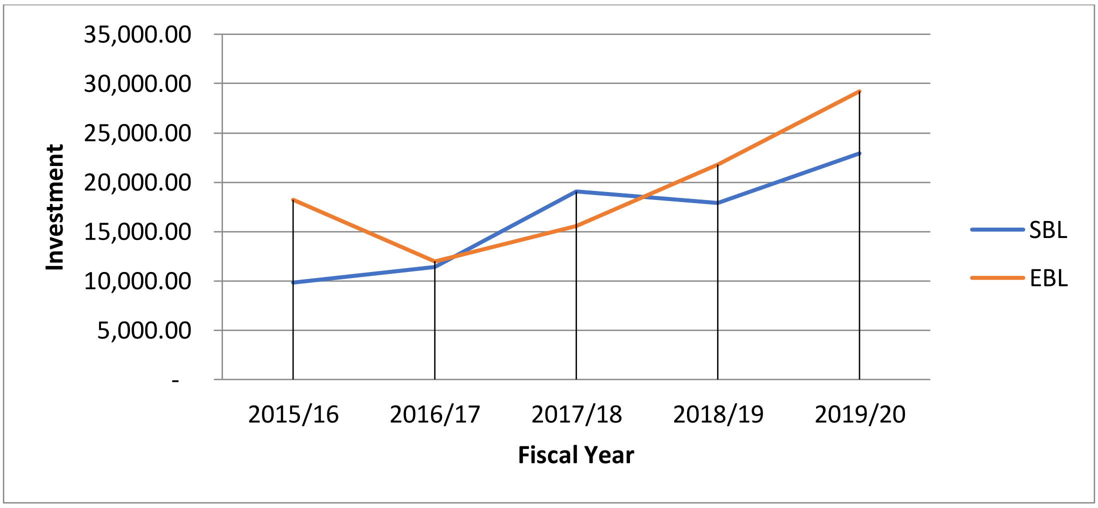

Figure 17 Growth Ratio of Total Investment

Growth Ratio of Loan and Advance

Table 17

Growth Ratio of Loan And Advance *(Rs in Millions)*

Banks	Total Loan and Advance					Growth Rate %
	2015/16	2016/17	2017/18	2018/19	2019/20	
SBL	55,350.89	65,986.37	86,078.75	104,877.10	123,578.95	22.33%
EBL	67,955.11	77,287.76	89,927.57	104,644.20	112,211.74	13.42%

(*Noted from: Annex 2)*

The above table describes the growth ratio of loan and Advance of EBL and SBL are in increasing order under five year study period. The table shows the high growth ratio of SBL 22.33 percent and low growth ratio of EBL13.42 percent. It shows that the performance of SBL in advancing loans is better than that of EBL.

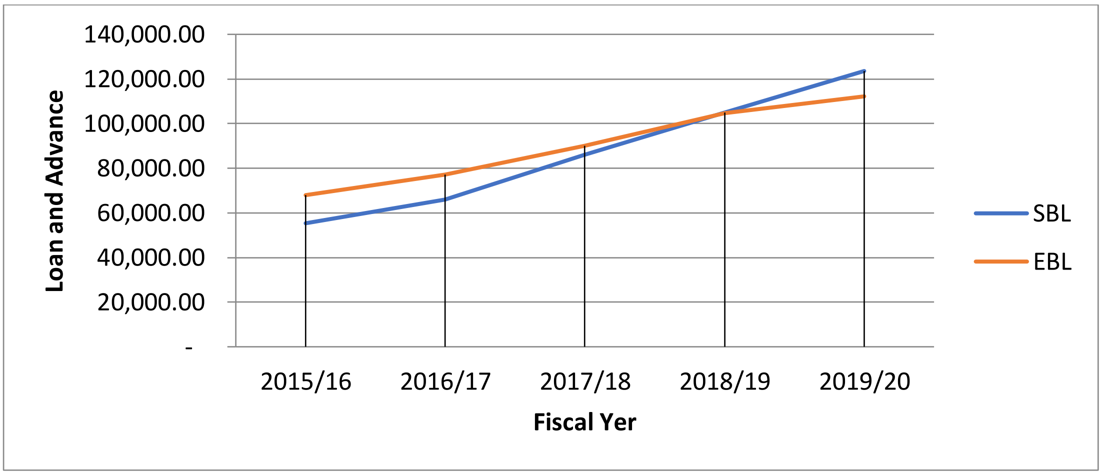

Figure 18 Growth Ratio of Loan and Advance

Growth Ratio of Net Profit

Table 18

Growth Ratio of Net Profit *(Rs in Millions)*

Banks	Total Net Profit					Growth Rate %
	2015/16	2016/17	2017/18	2018/19	2019/20	
SBL	1,254.92	1,488.04	1,998.99	2,318.85	2,193.84	22.33%
EBL	1,730.21	2,006.25	2,581.68	3,054.12	2,516.24	13.42%

(*Noted from: Annex 2)*

The above table represents the growth ratio of net profit of EBL and SBL during 5 years study periods. It shows the SBL has highest ratio 23.33 percent.

Growth ratio of Net Profit of EBL and SBL can also be shown in the line chart.

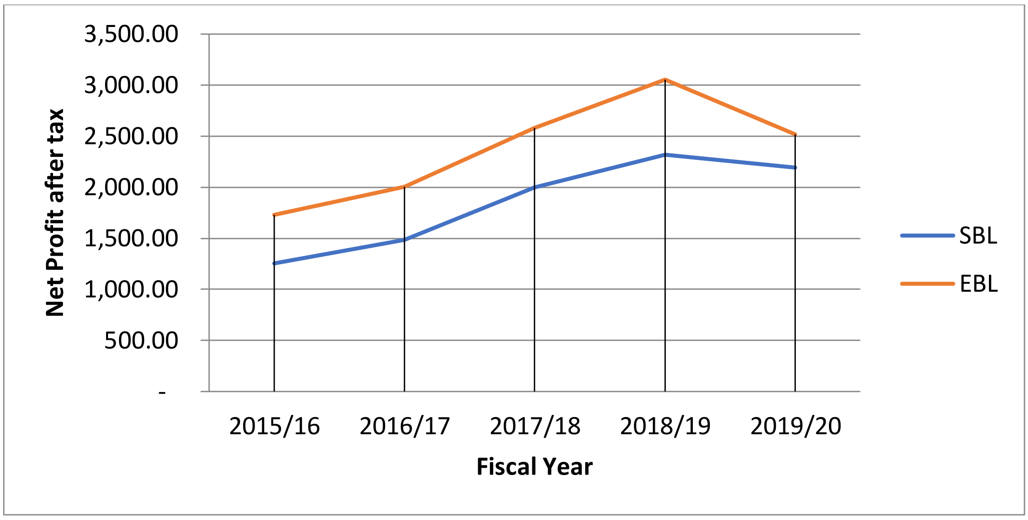

Figure 19 Growth Ratio of Net Profit

4.2 Statistical Analysis

Under this part of the study, mainly the simple correlation, simple regression and trend analysis of different financial variables have been analyzed.

4.2.1 Correlation and Regression Analysis

The term correlation analysis is the analysis, which reflects that the variables of the two different data are related or it can be said that correlation is the analysis of relation between more than one variable represented by "r".

Regression and correlation analysis are the techniques of studying how the variations in one series are related to the variations in another series. Measurement of the degree of relationship between two or more variables is called correlation analysis and using the relationship between a known variable and an unknown variable to estimate the known one is termed as regression analysis.

The correlation and regression analysis measures the relationship between variables. Mainly, the correlation and regression analysis between loan and Advance and total deposit, investment and total deposit, net profit and total deposit have been analyzed.

Correlation and Regression Analysis between Loan & Advance and Total Deposit

Let the dependent variable, loan and Advance be denoted by Y and the independent variable, total deposit be denoted by X. Then the regression line of loan and Advance on total deposit and the correlation between these two variables of SBL and EBL has been presented in the Table 18.

Table 19

Correlation and Regression Analysis between Loan and Advance and Deposit

Correlation Between LA and Deposit

Bank	r	r2	P.E.	6 P.E.	Remarks
SBL	0.9973	0.9946	0.0016	0.0098	Significant
EBL	0.9841	0.9685	0.0095	0.0571	Significant

Regression Line of LA and Deposit

Bank	a	b	Regression Equation
SBL	87,174.41	0.93	LA= 87174.41 + 0.93 TD
EBL	90,405.28	0.84	LA= 90405.28+ 0.84 TD

(Noted From: Annex 3)

The above table measures the relationship between loan & Advance and deposit. The table shows that the correlation coefficient between loan & Advance and total deposit is 0.9973 in SBL and 0.9841 in EBL. This perfect correlation between loan & Advance and total deposit in each bank indicates that with the increment/decrement in total deposit, the loan and Advance of each bank increases/decreases.

Further the coefficient of determination of 0.9946 in SBL and 0.9685 in EBL indicates that 99.46 percent change in loan and Advance of SBL and 96.85 percent change in loan and Advance of EBL is explained by change in total deposit of respective banks. Also, since the value of 'r' is greater than the 6 P.E. of SBL (r = 0.9973 > 6 P.E. = 0.0098) and EBL (r = 0.9841> 6 P.E. = 0.0571), it can be considered that the relationship between loan and Advance and total deposit is statistically significant in each bank.

Similarly, the regression line of loan & Advance on total deposit has enlightened that with per rupee increment in total deposit, the loan & Advance of SBL increases by Rs. 0.93, if the variable 87,174.41 remains constant, and the loan & Advance of EBL increases by Rs. 0.84, if the variable 90,405.28 remains uniform.

Eventually, from the above table, it can be concluded that the increment in loan & Advance in SBL is greater than that of EBL with the same per rupee of deposit collection, and also the correlation coefficient between loan & Advance and deposit of SBL is higher than that of EBL.

Correlation and Regression Analysis between Investment and Total Deposit

The correlation coefficient between investment and total deposit, and the regression line of investment on total deposit has been calculated and presented in the Table 19.

Table 20

Correlation and Regression Analysis between Investment and Deposit

Correlation Between Investment and Deposit

Bank	r	r2	P.E.	6 P.E.	Remarks
SBL	0.9347	0.87	0.0381	0.2287	Significant
EBL	0.8531	0.73	0.0821	0.4928	Significant

Regression Line of Investment and Deposit

Bank	a	b	Regression Equation
SBL	16,222.12	0.17	Inv.= 16222.12 + 0.17 TD
EBL	19,340.15	0.26	Inv.= 19340.15 +0.26 TD

(Noted From: Annex 3)

The above table has indicated that there exists positive correlation coefficient between investment and total deposit in both SBL and EBL. The correlation coefficient between investment and total deposit of SBL is 0.9347 and EBL is 0.8531. Also, the coefficient of determination indicates that 87 percent variation in investment of SBL is explained by change in total deposit while that of EBL is affected only by 73 percent.

However, since the value of ‘r’ is greater than the calculated 6 P.E. in SBL (r = 0.9347 > 6 P.E. = 0.2287) and in EBL (r = 0.8531> 6 P.E. = 0.4928), it can be said that there exists significant relationship between total investment and total deposit of both the sample banks. Further, the regression line of total investment on total deposit indicates that with per rupee increment in total deposit, the investment amount of SBL increases by Rs. 0.17, if the variable 16,222.12 remains stable and the investment amount of EBL increases by Rs. 0.26, if the variable 19,340.15 remains uniform.

Comparing two banks, it can be concluded that the rate of increase in investment with the same amount of increase in deposit is greater in EBL than in SBL.

Correlation and Regression Analysis between Net Profit and Total Deposit

The correlation coefficient between net profit and total deposit, and the regression line of net profit on total deposit of SBL and EBL has been calculated and presented in the Table 20.

Table 21

Correlation and Regression Analysis between Net Profit and Deposit

Correlation Between Investment and Deposit

Bank	r	r2	P.E.	6 P.E.	Remarks
SBL	0.8927	0.80	0.0612	0.3674	Significant
EBL	0.7812	0.61	0.1176	0.7055	Significant

Regression Line of Net Profit and Deposit

Bank	a	b	Regression Equation
SBL	1,850.93	0.01	NPAT= 1850.93 + 0.01 TD
EBL	2,377.70	0.02	NPAT= 2377.70 +0.02 TD

(Noted From: Annex 3)

The above table represents the relationship between net profit and total deposit. The table shows that the correlation coefficient between net profit and total deposit of SBL is 0.8927 and that of EBL is 0.7812. The coefficient of determination indicates that 80 percent change in net profit of SBL and 61 percent change in net profit of EBL is explained by the change in total deposit of the respective banks.

However, since the value of ‘r’ is greater than the calculated 6 P.E. in SBL (r = 0.8927 > 6 P.E. = 0.3674) and in EBL (r = 0.7812> 6 P.E. = 0.7055), it can be said that there exists significant relationship between net profit after tax and total deposit of the sample banks.

Similarly, the regression line of net profit on total deposit indicates that the net profit of SBL increases by Rs. 0.01, if the variable 1,850.93 remains constant, and that of EBL also increases by Rs. 0.02, if the variable 2,377.70 remains constant, with the same per rupee increment in total deposit.

Comparing two banks, it can be concluded that the rate of increase in net profit with the same amount of increase in deposit is greater in EBL than in SBL.

4.2.2 Trend Analysis

Trend analysis of Loan and Advance

Under this topic, an effort has been made to calculate the trend values of Total Loan and Advance of SBL and EBL for 5 years and forecast trend values of both banks for the next 5 years till 2024/25 using a liner trend by using existing values.

Table 22

Trend Analysis of Loan and Advance

Fiscal Year	SBL		EBL	
	SBL Actual	SBL Trend	EBL Actual	EBL Trend
2015/16	55,350.89	56,473.18	67,955.11	72,205.40
2016/17	65,986.37	67,111.19	77,287.76	73,342.27
2017/18	86,078.75	83,812.72	89,927.57	90,422.55
2018/19	104,877.10	102,757.12	104,644.20	102,181.63
2019/20	123,578.95	125,717.85	112,211.74	113,874.52
2020/21		139,414.99		124,058.56
2021/22		159,716.60		138,241.27
2022/23		178,823.54		149,010.02
2023/24		197,125.50		160,880.26
2024/25		214,826.85		172,901.81

(Noted from: Annex 4)

The above table shows that the loans and Advance of both the banks are increasing regularly. The loans and Advance of SBL is greater than that of EBL. Other things remaining constant, SBL and EBL will extent total loans of Rs 214,826.85 and 172,901.81 million in the year 2024/25 respectively which is the highest amount during the period of the study.

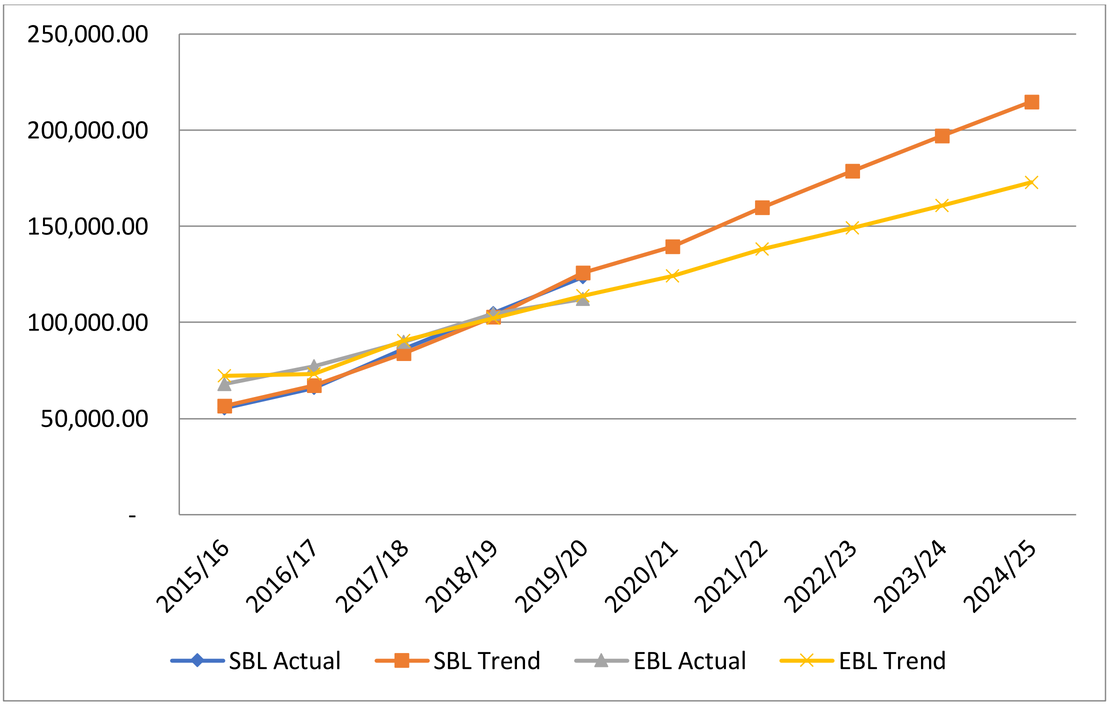

Figure 20 Trend Analysis of Loan and Advance

Trend Analysis of Total Investment

Under this topic, an effort has been made to calculate the trend values of total investment of SBL and EBL for 5 years and forecast trend values of both banks for the next 5 years till 2024/25 using a liner trend by using existing values.

Table 23

Trend Analysis of Investment

Fiscal Year	SBL		EBL	
	SBL Actual	SBL Trend	EBL Actual	EBL Trend
2015/16	9,823.52	10,575.85	18,198.74	13,695.26
2016/17	11,435.22	12,532.28	11,964.56	14,047.87
2017/18	19,032.58	15,603.87	15,554.19	19,345.51
2018/19	17,899.35	19,087.94	21,769.68	22,992.71
2019/20	22,919.91	23,310.65	29,213.57	26,619.39
2020/21		25,829.69		29,778.08
2021/22		29,563.36		34,177.00
2022/23		33,077.33		37,517.04
2023/24		36,443.24		41,198.72
2024/25		39,698.70		44,927.33

(Noted from: Annex 4)

From the above table, it is quite obvious that the total investment of SBL and EBL is in increasing trend. The total investment of EBL is greater than that of SBL. Other things remaining the same, SBL and EBL will extent total investment of Rs 39,698.70 and Rs 44,927.33 million in 2024/25 respectively.

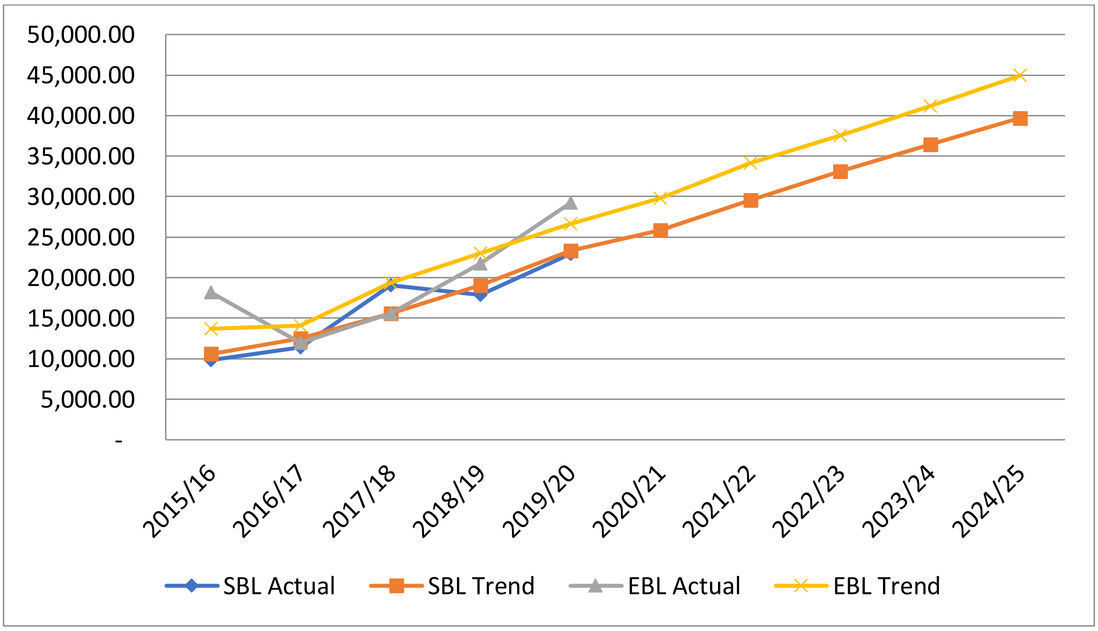

Figure 21 Trend Analysis of Total Investment

Trend Analysis of Net Profit

Under this topic, an effort has been made to calculate the trend values of total net profit after tax of SBL and EBL for 5 years and forecast trend values of both banks for the next 5 years till 2024/25 using a liner trend by using existing values.

Table 24

Trend Analysis of Net Profit after tax

Fiscal Year	SBL		EBL	
	SBL Actual	SBL Trend	EBL Actual	EBL Trend
2015/16	1,254.92	1,397.20	1,730.21	1,970.62
2016/17	1,488.04	1,554.42	2,006.25	1,996.04
2017/18	1,998.99	1,801.25	2,581.68	2,378.09
2018/19	2,318.85	2,081.22	3,054.12	2,641.11
2019/20	2,193.84	2,420.55	2,516.24	2,902.65
2020/21		2,622.98		3,130.44
2021/22		2,923.01		3,447.67
2022/23		3,205.39		3,688.54
2023/24		3,475.87		3,954.05
2024/25		3,737.47		4,222.94

(Noted from: Annex 4)

From the above table, it is quite obvious that the total net profit of SBL and EBL is in increasing trend. The total investment of EBL is greater than that of SBL. Other things remaining the same, SBL and EBL will extent total net profit of Rs 3,737.47 and Rs 4,222.94 million in 2024/25 respectively.

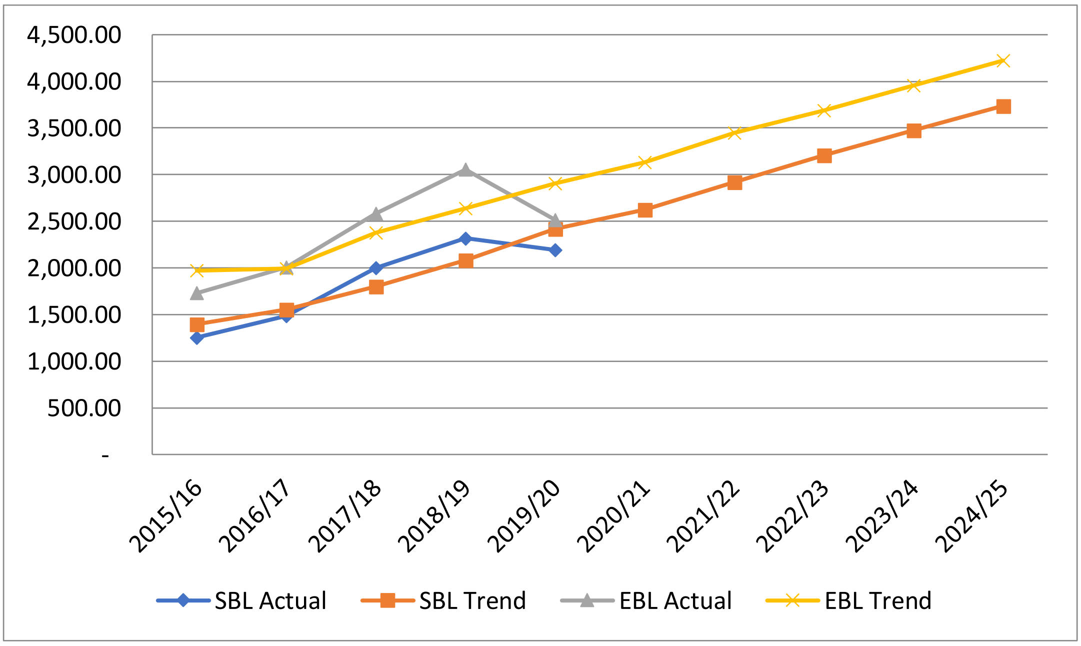

Figure 22 Trend Analysis of Net Profit

4.3 Major Findings of the Study

Basically in this research work, all the data has been obtained from secondary sources. Data has been analyzed by using financial as well as statistical tools. This topic focuses on the major findings of the study, which are derived from the analysis of deposit mobilization of EBL and SBL with comparatively applying five years data from 2015/16 to 2019/20.The major findings of the study derived from the analysis of financial tools of EBL and SBL given below:

Finding from Liquidity Ratio

- The mean ratio of cash and bank balance to total deposit of EBL is higher than SBL. It states that the Liquidity position of EBL is far better in this regard. But the ratio of EBL is less consistent and SBL has more consistent ratio. It shows EBL has taken more risk to meet the daily cash requirements.
- The mean ratio of NRB deposit to Total Deposit of EBL is higher than SBL. It reveals that EBL has the higher capacity to meet the cash reserve ratio than that of SBL. The ratio of EBL is less consistent than that of SBL.
- The average ratio of investment of government securities to total deposit of SBL is higher than that of EBL. It reveals that investment on government securities of SBL is stronger than EBL. Analysis shows that investment of government securities of SBL is more consistent.
- The above result shows that the Liquidity position of EBL is comparatively better than SBL. Where SBL is uniform and takes less risk. EBL has highest cash and bank balance to current assets but in investment to government securities to total deposit ratio SBL has performed better. So, it can be concluded that EBL has better deposit collection ability to meet the cash requirements.

Findings from Assets Management Ratio

- The mean ratio of loan Advance to total deposit of SBL is greater than EBL. The variability ratio of EBL is greater than SBL. It seems that SBL is more consistent than EBL.
- The average ratio of total investment to total deposit ratio of EBL is higher than that of SBL. The variability ratio of SBL is lower than that of EBL.

- The average ratio of loan and Advance to total working fund of SBL is higher than EBL. The variability ratio of EBL is greater than that of SBL which is the indication of less consistency ratio of loan and Advance by EBL.
- The average ratio of investment on government securities to total working fund of EBL is higher than SBL. It seems EBL is less consistent to make investment on government securities.
- The mean ratio of loan and advance to total assets of SBL is greater than EBL. SBL has the greater variability ratio which is risky.
- From the above analysis it helps to conclude that EBL is comparatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and Advance.

Findings from Profitability Ratio

- The mean ratio of return on loan and Advance of EBL is higher than SBL. The variability ratio of SBL is lower than EBL. It seems SBL has stable return.
- The mean ratio of return of on total working fund of EBL is greater than SBL, where as the variability ratio of SBL is lower than EBL. It indicates that the return on total working fund of EBL is less consistent.
- In case of mean ratio of total Interest Income to total working fund of SBL is higher ratio than EBL. The variability ratio of EBL is lower than SBL. It reveals that SBL is mobilizing its assets successfully so that is has high earning capacity.
- The mean ratio of total Interest Expenses to total working fund of EBL is lower than SBL. It reveals that EBL has not paid high interest as SBL. The ratio of SBL is more consistent than EBL
- From the above analysis of profitability ratio, it can be concluded that the SBL is profitable in comparison to EBL.

Findings from Risk Ratio

- The mean ratio of Liquidity risk of SBL is lower than EBL. Degree of risk and variability of risk is also lower in SBL in comparison to EBL. It seems Liquidity risk ratio is consistent of SBL.
- EBL has the lower credit risk than SBL. The variability ratio of EBL is lower than SBL which indicates that the credit risk ratio of EBL is more consistent.

- From the above analysis EBL has maintained the lower liquidity risk and credit risk.

Findings from Growth Ratio

- The growth Ratio of total deposits of EBL & SBL are increasing every year. Out of two banks growth rate of total deposits of SBL is greater than EBL. It shows that SBL has increased its deposit collection capacity.
- The growth rate of total investment of SBL is higher than EBL. Although EBL is investing more deposits but it seems weak in comparison to SBL.
- The growth ratio of loan and Advance of SBL and EBL both are increasing trend. Growth rate of SBL is about two times higher than EBL. Though EBL is providing more deposits in loan and Advance it appears weak in growth rate in comparison to SBL.
- The growth rate of profit of SBL is in increasing trend while that of EBL is in fluctuating trend during the study period.
- From the above findings it can be observed that the SBL has maintained the high growth ratio in total deposits, total investment Loan and Advance and net profit.

CHAPTER- V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Banks are the pillars of the financial system of a country. Specially, in developing country Nepal, proper banking system is very important, because the capital market is in progress in Nepal. Commercial bank has now emerged as renowned and reliable financial institutions. The economic development of any nation depends on how well it has been able to mobilize economic and financial resources. Bank has not just evolved as an institution where public can deposit money or acquire loan. As deposits are the source of any commercial banks as bank operates by collecting deposit from all over the country and mobilizing it into lending activities either directly by loaning or indirectly through capital market. Their major target is to gather deposit from all over the country by attracting customer with their new and fascinated product however in status deposit mobilization is critical issue for banks. Cognizant of this, in depth analysis is done based on secondary data. The research is intended to address challenges and prospects of deposit mobilization of commercial bank in Nepal. Basically the entire research work focus on the comparative study on deposit mobilization of two Commercial Banks, Everest Bank Ltd. and Siddhartha Bank Ltd. These two banks are composed as per their deposit mobilization activities by taking five years data from the year 2015/16 to 2019/20.

The study is mainly 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 website, related books and booklets, journals and articles, After collecting data from different sources, it is 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, risk ratio. Similarly, statistical tools have been used viz. mean standard deviation, coefficient of variation, coefficient of correlation.

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 and different types of chart are also used.

This study suffers from different limitations, it considers two banks only and time and resource 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.

5.2 Conclusion

From the analysis of Liquidity ratio, the Liquidity position of EBL is comparatively better than SBL. EBL has highest cash and bank balance to total deposit.

Considering assets management aspect of two banks, EBL is relatively successful to invest in productive sector and has mobilized its collected deposits to provide loan and advance for the purpose of earning profit. SBL has weak condition in mobilizing its collected deposits in comparison of EBL. In general, EBL seems more successful in mobilizing total deposit on different types of government securities to maximize its earning capacity.

The Liquidity risk ratio of SBL is higher than EBL which appears to be less profitable return of SBL. On other hand Liquidity risk ratio of EBL is the lowest in comparison to SBL which specified that EBL has kept idle deposits in the form of cash and bank balance but this reduces profitability. EBL has lower credit risk ratio. Credit risk involved in loan and Advance and total investment of SBL is more than EBL. It may arise due to default risk or non repayment of loan.

EBL appears to be more successful to earn profit on loan and Advance than SBL. The average ratio of return to total loans and Advance and to total working fund of EBL is greater than that of SBL which indicates that the total assets of EBL is well managed and efficiently utilized.EBL was not able to receive high interest on total assets in comparison with SBL. On the other hand, SBL has mobilized its assets properly and its earning capacity is also high .EBL is in better position from the viewpoint of interest expenses.

Growth ratio of total deposits, total investment, loan and Advance and net profit of SBL is higher in comparison to EBL. SBL has maintained higher growth ratio. Therefore, we must say that the bank is successful in increasing its sources of deposits and its mobilization.

Correlation coefficient between deposits and loan and Advance indicates the positive relationship between the variables of EBL and SBL. Most of the investment decision of these two banks depends upon deposits and only few decisions depend upon other variables. Moreover by considering the probable error the value of coefficient of all banks is greater than that of 6 P.E. so it can be concluded that the value of correlation coefficient is significant i.e. there is significant relationship between total deposit and loan and Advance.

Correlation coefficient between deposit and total investment of EBL and SBL elucidates the positive relationship or there is high degree of positive correlation. Most of the investment decisions depend upon deposits and only few decisions of two banks are depend upon other variables. Moreover by considering the probable error, the value of coefficient of determination of EBL and SBL both are more than 6 P.E. so it is significant relationship between deposit and total investment.

Correlation coefficient between deposit and net profit after tax of SBL and EBL elucidates the positive relationship. Considering the probable error, the value of coefficient of determination of EBL and SBL higher is than 6 P.E. So it indicates the significant relationship of both banks between deposit and total investment respectively.

5.3 Recommendations

On the basis of the major findings drawn in the previous chapter and the conclusion made, the following recommendations have been provided for the enhancement of the deposit mobilization:

To Maintain Effective Liquidity Position

The Liquidity position of a bank may be affected by internal as well as external factors. The affecting factors may be interest rates, supply and the demand position of loan and Advance as well as savings, investment situations, central banks directives, the lending policies, capability of management, strategic planning and deposits flow situations. The ratio of cash and bank balance to total deposit EBL is higher than SBL. It means EBL has higher cash balance to total deposit and it indicates EBL has higher idle cash and bank balance. It may decrease profit of bank. So, EBL is recommended to mobilize its idle cash and bank balance in profitable sector as loan and Advance.

To Increase Deposit Collection

The main source of commercial banks is collecting deposit from general public who don't need that deposit recently. So both banks are recommended to collect more and more deposits by introducing various schemes and facilities, like cumulative deposit scheme, price bonds scheme (Life insurance), monthly interest scheme, and many others.

To Make More Investment in Government Securities

From the study SBL has not invested more deposits in government securities. SBL has made lower investment amount on government securities. Increasing large amount on assets, as cash and bank balance is not considered good from the profitability point of view of the bank as it doesn't earn any return. SBL investment on government securities is not satisfactory. Investment on those securities issued by government i.e. treasury bills, development bonds, saving certificates are free of risk and are highly liquid in nature and such securities yield the lower interest rates. It is better in regards to safety than any other means of investment. Since "Something is better than nothing", SBL is strongly recommended to give more importance to invest more deposits in government securities instead of keeping them idle.

To Make More Investment on Share and Debentures

To get success in a competitive market and to raise financial and economic development of the country, a commercial bank must mobilize its deposit in different sectors such as purchase of share and debentures of other financial and non financial companies and other government and non government organizations. It is also genuine means of utilization of resource. Thus those companies may get chances to raise that ultimately helps for the development of the country. Out of total working fund, investment on shares and debentures of EBL is lower than SBL. EBL is therefore suggested to invest more of its deposit in share and debentures of different companies.

To Make Profitable Return

As a private sector, commercial banks cannot be away from the profit motive. They should be careful in increasing profit in a real sense to maintain the confidence of share holders, depositors and all its customers. EBL is in profitable situation than SBL. So SBL is strongly recommended to utilize risky assets and shareholders deposit to gain highest profit margin. Similarly, it should reduce its interest expenses and should try to collect low cost deposit being more profitable.

To Prefer Aggressive Defensive Policy

Observing the findings of growth analysis, it has been noticed that SBL has been adopting an aggressive policy in all the parameters including loan and Advance. As the economy has not been able to show the survival growth, the aggressive policy may prove to be harmful in future.SBL should rather perform an aggressive defensive policy in mobilizing the resources into loans.

To Invest Deprive and Priority Sector

NRB has directed the commercial banks to invest their certain percentage in deprived and priority sector and as the due responsibility of banks. The study has found that SBL has earned high profit because their services are only for profitable sector. It reveals that it has not granted loan on priority and deprived sector. So SBL is recommended to thoroughly follow the directives issued by NRB and invest in priority and deprived sector and also to invest on other small scale industries like public utilities, health sanitation and drinking water, education and agricultural.

To Make Effective Portfolio Management

Portfolio management is very important for every investor. In each investment risk is involved. Risk is the chance of loss or the variability of the returns of a period. The project with greater variability of the returns will be a riskier. So it should invest in such projects which would bear lower risk and yield higher return. Portfolio Management plays vital role at allocating total investment in different areas. Portfolio management of the bank assets basically means allocation of deposits in different components of banking assets having different degrees of risk and varying rate or return in such a way that the conflicting goal of maximum yield and minimum risk can be achieved. So portfolio conditions of EBL and SBL should be examined carefully from time to time and alteration should be made to maintain equilibrium in the portfolio condition as far as possible because “all eggs should not be kept in the same basket.”The bank should make continuous efforts to explore new competitive and high yielding investment opportunities to optimize their investment portfolio.

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Annexure

Annex 1

Annexure 1 contains all the data used in the financial analysis and Statistical analysis. These data are noted from the audit repost of SBL and EBL from the year 2015/16 to 2019/20.

Deposit of SBL and EBL

Years	*SBL*	*EBL*
2015/16	64,934,358,551.00	93,735,480,708.00
2016/17	76,339,485,090.00	95,094,461,030.00
2017/18	94,245,389,984.00	115,511,705,922.00
2018/19	114,555,895,583.00	129,568,152,895.00
2019/20	139,172,356,368.00	143,545,475,184.00

Cash and Cash Balance of SBL and EBL

Years	*SBL*	*EBL*
2015/16	1,940,584,376.00	2,514,947,575.00
2016/17	2,573,703,235.00	3,060,845,724.00
2017/18	4,515,436,174.00	10,065,422,666.00
2018/19	8,196,416,706.00	7,759,121,374.00
2019/20	5,970,144,076.00	9,646,947,712.00

Loan and Advance of SBL and EBL

Years	*SBL*	*EBL*
2015/16	55,350,891,229.00	67,955,107,021.00
2016/17	65,986,366,620.00	77,287,764,142.00
2017/18	86,078,748,466.00	89,927,569,569.00
2018/19	104,877,100,287.00	104,644,200,903.00
2019/20	123,578,951,049.00	112,211,738,338.00

Investment of SBL and EBL

Years	*SBL*	*EBL*
2015/16	9,823,522,295.00	18,198,739,944.00
2016/17	11,435,218,714.00	11,964,561,347.00
2017/18	19,032,579,971.00	15,554,185,400.00
2018/19	17,899,347,758.00	21,769,680,181.00
2019/20	22,919,913,063.00	29,213,573,106.00

Total Working Fund of SBL and EBL

Years	*SBL* *Borrowing+Deposit*	*EBL* *Borrowing+Deposit*
2015/16	65,844,358,551.00	93,735,730,708.00
2016/17	76,845,199,129.00	95,109,222,680.00
2017/18	94,245,389,984.00	115,511,705,922.00

2018/19	114,555,895,583.00	129,568,152,895.00
2019/20	139,172,356,368.00	143,545,475,184.00

Net profit / Loss of SBL and EBL

Years	*SBL*	*EBL*
2015/16	1,254,918,004.00	1,730,207,025.00
2016/17	1,48,80,42,582	2,006,247,780.00
2017/18	1,998,990,550.00	2,581,681,778.00
2018/19	2,318,854,984.00	3,054,122,062.00
2019/20	2,193,840,786.00	2,516,243,710.00

Interest income of SBL and EBL

Years	*SBL*	*EBL*
2015/16	4,118,493,985.00	5,057,077,497.00
2016/17	6,64,14,70,711	6,747,148,285.00
2017/18	10,096,173,172.00	10,103,451,389.00
2018/19	13,009,278,279.00	13,019,443,721.00
2019/20	15,466,133,327.00	13,956,188,913.00

Interest Expenses of SBL and EBL

Years	*SBL*	*EBL*
2015/16	1,98,94,18,032	1,828,492,869.00
2016/17	3,97,39,58,602	3,009,792,494.00
2017/18	6,587,819,129.00	5,233,687,535.00
2018/19	8,277,274,812.00	7,320,851,928.00
2019/20	9,835,116,274.00	8,645,778,418.00

Total Assets of SBL and EBL

Years	*SBL*	*EBL*
2015/16	74,82,63,29,704	113,885,046,402.00
2016/17	89,87,93,99,557	116,510,445,575.00
2017/18	120,257,346,677.00	144,811,151,443.00
2018/19	154,400,998,348.00	170,077,533,454.00
2019/20	182,841,381,377.00	185,023,189,704.00

NRB Balance of SBL and EBL

Years	*SBL*	*EBL*
2015/16	3,847,268,039.00	13,356,018,269.00
2016/17	6,67,23,30,906.00	14,577,083,955.00
2017/18	6,454,927,243.00	18,938,747,835.00
2018/19	6,105,971,370.00	23,304,568,526.00
2019/20	9,507,945,122.00	19,972,674,889.00

Investment on Gov Sec. of SBL and EBL

Years	*SBL*	*EBL*
2015/16	9,823,522,295.00	18,198,739,944.00
2016/17	11,43,52,18,714.00	11,964,561,347.00
2017/18	18,877,942,436.00	15,292,314,230.00
2018/19	17,775,997,054.00	21,434,199,007.00
2019/20	22,783,305,318.00	28,831,510,025.00

Annex 2 Growth Analysis

Total Deposit

SBL	GROWTH	EBL	GROWTH
64,934.36		93,735.48	
76,339.49	17.56%	95,094.46	1.45%
94,245.39	23.46%	115,511.71	21.47%
114,555.90	21.55%	129,568.15	12.17%
139,172.36	21.49%	143,545.48	10.79%
Total	21.01%		11.47%

Total Investment

SBL	GROWTH	EBL	GROWTH
9,823.52		18,198.74	
11,435.22	16.41%	11,964.56	-34.26%
19,032.58	66.44%	15,554.19	30.00%
17,899.35	-5.95%	21,769.68	39.96%
22,919.91	28.05%	29,213.57	34.19%
Total	26.23%		17.48%

Total Loan and Advance

SBL	GROWTH	EBL	GROWTH
55,350.89		67,955.11	
65,986.37	19.21%	77,287.76	13.73%
86,078.75	30.45%	89,927.57	16.35%
104,877.10	21.84%	104,644.20	16.36%
123,578.95	17.83%	112,211.74	7.23%
Total	22.33%		13.42%

Total Net Profit

SBL	GROWTH	EBL	GROWTH
1,254.92		1,730.21	
1,488.04	18.58%	2,006.25	15.95%
1,998.99	34.34%	2,581.68	28.68%
2,318.85	16.00%	3,054.12	18.30%
2,193.84	-5.39%	2,516.24	-17.61%
Total	15.88%		11.33%

Annex 3 Correlation And Regression Analysis

Correlation and Regression Analysis between Loan and Advance and Deposit of SBL

FY	LA(y)	TD(x)	X=x-X
2015/16	55,350.89	64,934.36	-32,915.14
2016/17	65,986.37	76,339.49	-21,510.01
2017/18	86,078.75	94,245.39	-3,604.11
2018/19	104,877.10	114,555.90	16,706.40
2019/20	123,578.95	139,172.36	41,322.86
Mean	87174.41	97849.50	-
X 2	Y=y-Y	Y2	XY
1,083,406,346.70	-31,823.52	1,012,736,444.36	1,047,475,580.31
462,680,617.32	-21,188.04	448,933,247.12	455,755,100.81
12,989,588.21	-1,095.66	1,200,477.55	3,948,887.06
279,103,749.76	17,702.69	313,385,189.22	295,748,172.32
1,707,578,696.83	36,404.54	1,325,290,497.58	1,504,339,662.70
3,545,758,998.83	-	3,101,545,855.82	3,307,267,403.21
Correlation	0.9973		
P.E	0.0016		

Correlation and Regression Analysis between Loan and Advance and Deposit of EBL

FY	LA(y)	TD(x)	X=x-X
2015/16	67,955.11	93,735.48	-21,755.57
2016/17	77,287.76	95,094.46	-20,396.59
2017/18	89,927.57	115,511.71	20.65
2018/19	104,644.20	129,568.15	14,077.10
2019/20	112,211.74	143,545.48	28,054.42
Mean	90,405.28	115,491.06	-
X 2	Y=y-Y	Y2	XY
473,305,019.21	- 22,450.17	504,010,086.94	488,416,322.29
416,021,051.61	- 13,117.51	172,069,117.20	267,552,565.09
426.45	- 477.71	228,203.43	-9,865.01
198,164,680.98	14,238.92	202,746,982.55	200,442,737.75
787,050,483.57	21,806.46	475,521,799.93	611,767,654.09
1,874,541,661.82	-	1,354,576,190.06	1,568,169,414.21
Correlation	0.9841		
P.E	0.0095		

Correlation and Regression Analysis between Investment and Deposit of SBL

FY	INV.(y)	TD(x)	X=x-X
2015/16	9,823.52	64,934.36	-32,915.14
2016/17	11,435.22	76,339.49	-21,510.01
2017/18	19,032.58	94,245.39	-3,604.11
2018/19	17,899.35	114,555.90	16,706.40
2019/20	22,919.91	139,172.36	41,322.86
Mean	16,222.12	97,849.50	-
X^2	Y=y-Y	Y^2	XY
1,083,406,346.70	-6,398.59	40,942,006.01	210,610,610.27
462,680,617.32	-4,786.90	22,914,389.08	102,966,225.93
12,989,588.21	2,810.46	7,898,705.71	-10,129,211.94
279,103,749.76	1,677.23	2,813,105.16	28,020,496.05
1,707,578,696.83	6,697.80	44,860,480.67	276,772,110.45
3,545,758,998.83	-	119,428,686.63	608,240,230.77
Correlation	0.9347		
P.E	0.0381		

Correlation and Regression Analysis between Investment and Deposit of EBL

FY	INV.(y)	TD(x)	X=x-X
2015/16	18,198.74	93,735.48	-21,755.57
2016/17	11,964.56	95,094.46	-20,396.59
2017/18	15,554.19	115,511.71	20.65
2018/19	21,769.68	129,568.15	14,077.10
2019/20	29,213.57	143,545.48	28,054.42
Mean	19,340.15	115,491.06	-
X 2	Y=y-Y	Y2	XY
473,305,019.21	-1,141.41	1,302,812.34	24,831,987.83
416,021,051.61	-7,375.59	54,399,278.41	150,436,847.25
426.45	-3,785.96	14,333,512.78	-78,183.06
198,164,680.98	2,429.53	5,902,626.64	34,200,762.05
787,050,483.57	9,873.43	97,484,523.41	276,993,215.24
1,874,541,661.82	-	173,422,753.58	486,384,629.32
Correlation	0.8531		
P.E	0.0821		

Correlation and Regression Analysis between Net Profit and Deposit of SBL

FY	NPAT(y)	TD(x)	X=x-X
2015/16	1,254.92	64,934.36	-32,915.14
2016/17	1,488.04	76,339.49	-21,510.01
2017/18	1,998.99	94,245.39	-3,604.11
2018/19	2,318.85	114,555.90	16,706.40
2019/20	2,193.84	139,172.36	41,322.86
Mean	1,850.93	97,849.50	-
X 2	Y=y-Y	Y2	XY
1,083,406,346.70	-596.01	355,229.56	19,617,797.07
462,680,617.32	-362.89	131,686.83	7,805,699.41
12,989,588.21	148.06	21,922.11	-533,628.31
279,103,749.76	467.93	218,954.37	7,817,351.57
1,707,578,696.83	342.91	117,588.23	14,170,079.72
3,545,758,998.83	-	845,381.10	48,877,299.46
Correlation	0.8927		
P.E	0.0612		

Correlation and Regression Analysis between Net Profit and Deposit of EBL

FY	NPAT(y)	TD(x)	X=x-X
2015/16	1,730.21	93,735.48	-21,755.57
2016/17	2,006.25	95,094.46	-20,396.59
2017/18	2,581.68	115,511.71	20.65
2018/19	3,054.12	129,568.15	14,077.10
2019/20	2,516.24	143,545.48	28,054.42
Mean	2,377.70	115,491.06	-
X 2	Y=y-Y	Y2	XY
473,305,019.21	-647.49	419,247.76	14,086,591.86
416,021,051.61	-371.45	137,977.10	7,576,369.77
426.45	203.98	41,608.37	4,212.37
198,164,680.98	676.42	457,546.17	9,522,052.85
787,050,483.57	138.54	19,194.23	3,886,750.22
1,874,541,661.82	-	1,075,573.64	35,075,977.08
Correlation	0.7812		
P.E	0.1176		

Annex 4 Trend Analysis

Trend Analysis of Loan and Advance

SBL(Y=a+bx)	EBL(Y=a+bx)
56,473.18	72,205.40
67,111.19	73,342.27
83,812.72	90,422.55
102,757.12	102,181.63
125,717.85	113,874.52

Trend Analysis of Total Investment

SBL(Y=a+bx)	EBL(Y=a+bx)
10,575.85	13,695.26
12,532.28	14,047.87
15,603.87	19,345.51
19,087.94	22,992.71
23,310.65	26,619.39

Trend Analysis of Net Profit

SBL(Y=a+bx)	EBL(Y=a+bx)
1,397.20	1,970.62
1,554.42	1,996.04
1,801.25	2,378.09
2,081.22	2,641.11
2,420.55	2,902.65

DEPOSIT MOBILIZATION OF NEPALESE COMMERCIAL BANKS: A COMPARATIVE STUDY OF EVEREST BANK LIMITED AND SIDDHARTHA BANK LIMITED

A Thesis Proposal

Submitted to

Peoples Campus

Faculty of Management in Partial Fulfillment of the requirements for the Degree of Master of Management Business Studies

by

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i .Background of the Study

For the entire development of any country, each and every sector should be strong and capable. Among them economic sector is one of the major sectors. Banks and other financial institution generally play vital role in the economic development of the country. In other words, bank is an organization that collects the various types of deposit from people. Bank is a mediator between people as it accepts deposits in one side and grants the loan to them on the other side.

Banks in performing their pivotal role in the economy, facilitate financial settlement through the payment system, influence money market rates and provide a means for international payment. The sector mobilizes funds from the surplus-spending units into the economy and by on lending such funds to the deficit spending units for investment, banks in the process increase the quantum of national savings and investment (Mordi, 2004).

Deposits mobilization is one of the important functions of banking business. It is an important source of working fund for the bank and other financial organization. Deposit mobilization is an indispensable factor 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 successful functioning of commercial banks depends on the extent of funds mobilized. Deposits are the lifeblood of banking companies. Deposits constitute a vital source of funds required for banking business. There are different types of deposits with different maturity pattern carrying different rates of interests. Deposit mobilization is depending on the cost of deposits, offering attractive deposits rates on bank deposits can gain high deposit mobilization (Philip, 1968).

Deposit mobilization is the collection of cash or funds by a financial institution from the public through its current, savings and fixed amounts and other specialized schemes. Normally deposits are considered as the cost effective working funds that can increase the sustainability and profitability of the deposit taking institutions (Banson, 2013).

Enough capital is required for the development of any country. It is the backbone for the development of the nation. Nepal lacks the adequate capital for its development planning. Due to this reason many development planning are pending. If there is enough capital available, it can be invested into profitable projects and contribute to the National GDP. Investment promotes economic growth and contributes to a nation's wealth. When people deposit money in a saving account in a bank for example, the bank must invest by lending the funds for various business companies. These firms in return, may invest the money in new factories and equipment's to increase their production. In addition to this borrowing from the banks, it must issue stocks and bonds that they sell to investors to raise capital needed for business expansion. Government also issue bonds to obtain funds to invest in capital incentive project, as the construction of dams, roads and schools. All such investments by individuals, business and government involve a presto sacrifice of income to get and expected future benefits. As a result, investment raises a nation's standard of living (The World Bank, 1966).

Banks today have gained paramount trust of the public. They hold the deposit of millions of persons, government and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms and government. Thus, their task is to provide a collecting point for saving of relatively small average amount from a large number of individual sources and invest them into a productive and needed sector of the country, so as to develop the nation. The importance of commercial banks may be measured in a number of ways. Banks are still the principal means of making payments, through the cheques, credit cards and electronic transfer services they offer. In the same way commercial banks are important because of their ability to create money from excess reserves made available from the public's deposits.

Financial development is one of the key indicators of economic growth for any country and financial institution grant regular energy for investments, which is needed for economic development. Capital formation is one of the important factors for economic development. The capital formation leads to increase in the size of national output, income and employment, solving the problem of inflation, balance of payment and making the economy free from the burden of foreign debts. Domestic capital formation helps in making a country self-sustainable.

ii. Statement of the Problems

Capital plays an important role in the banking sector. It is a requisite from the promotional stage up to the end of a banking sector. No banking transactions can be operated without fund. Fund is labeled as 'life blood' of banking sector. The capital can be collected from the various sources such as shares, debentures, public deposits, etc. Generally, there are various sources of accumulating capital internal and external. Aid, grants and loans are the main external sources whereas taxes and public debts are the popular internal sources in our country. But due to under-development, poverty, lack of banking knowledge etc. the desired capital for the development of the country can't be accumulated form those internal sources.

The problems specially related to deposit mobilization of commercial banks in Nepal have been presented below: -

- How efficiently the collected fund has been utilized under loan and Advance?
- What are the interest structure of deposit and loan?
- How efficiently is the credit policy of SBL and EBL is being followed?
- What are the trends of the investment, deposit, loan and advance, and net profit of SBL and EBL?

iii. Objectives of the Study

The main objectives of this study are to identify the deposit mobilization of Nepalese commercial banks. The specific objectives of this study are as follows: -

- To analyze the financial position of the sampled banks;
- To find out the relationship between deposits collection and total investment;
- To evaluate the interest structure of deposits as well as loans and Advance;
- To identify the ratio analysis of deposit and other variables.

iv. Significance of the Study

Development of banking system plays an important role in the growth of any economy. Banking industry is an important institution for accelerating the process of development through deposit mobilization. In Nepal, banking industry is also playing vital role for the development of the nation. According to the NRB research report banking and financial institution are contributing around 10% to its national GDP.

Due to the lack of proper infrastructure, commercial banks are handicapped to reach rural areas. Banking services are provided only on the urban areas. Thus, NRB need to amend its certain rules to motivate commercial banking to incorporate their branches even in the rural areas.

Mainly, this study covers the deposits and credit portion of EBL and SBL. So it helps to reveal the financial position of the bank and study occupies an important role in the series of the studies on EBL and SBL. The Significances of the study are: -

- This study is important to banks to make policies based on recommendations and suggestions in this thesis.
- This study may encourage the researchers to research further.
- It is important for investors, customers and personnel of bank to take various decisions regarding deposits and loan and Advance.
- This study is important to know how well the bank is utilizing its deposit.

v. Limitations of the Study

Every research has its own limitations. The main focus of this study is to point out the financial position and its analysis of banking sectors. Preparations of multiple financial statements are common practices in private sector.

In this chapter, deals with background of the study, profile of the selected banks, focus of the study, statement of the problem, objectives of the study, significance of the study and limitations of the study. So, the conclusion is based on the However, following are the limitations of the study: -

- This research design and analysis followed for this study are based on secondary data which covers the period of last five fiscal years.
- Time and resources constraints may limit the area covered by the study.
- Due to limited time and resources, out of 27 commercial banks, only two of them are included in this study.
- As a student, researcher faces various problems of resources.
- The period covered by the study is from 2015/16 to 2019/20 A.D.

- The accuracy of the research work is dependent on the data provided by concerned banks.
- Last but not the least limitation is that it is a partial requirement for the degree programmer.

vi. Organization of the Study

The study has been organized into five chapters, the title of each of these chapters are as follows:

Chapter I	Introduction
Chapter II	Review of Literature
Chapter III	Research Methodology
Chapter IV	Presentation and Analysis of Data
Chapter V	Summary, Conclusion and Recommendations

The rationale behind this kind of organization is to follow a simple research methodology approach. The contents of the chapters of this study are briefly mentioned here.

Chapter one includes general background of the study, historical perspective of banking industry, overview of sample banks, statements of the problem, objectives of the study, significance of the study and limitation of the study.

Chapter two is devoted to theoretical analysis and brief review of related books, journals, and past research works.

Chapter three expresses the way and the technique of the study applied in the research process. It includes research design, population and sample, data collection procedure and processing, tools and methods of analysis.

Chapter four is the important chapter in which collected and processed data are presented, analyzed and interpreted using financial as well as statistical tools.

Finally, Chapter five provides the summary of the study, conclusion and recommendations which are forwarded to the related banking industry for utilization and mobilization of their deposits. The bibliography and appendices are incorporated in the end of the study.

vii. Empirical Review

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 findings towards fund mobilization and other related books.

Banks are that kind of institutions, which deals with money and substitutions for money. They deal with credit and credit instrument. Effective circulation of credit is more significant for the banks. Unsteady and unevenly flow of credit harms the economic situation of the nation. Because of this, collected funds or deposits should be invested and mobilized into the right sector. An investment of fund decides the life and death of the banks.

Bajracharay (1990) through his article "Monetary Policy & Deposit Mobilization in Nepal" has concluded that the mobilization of domestic savings is one of the monetary policies in Nepal. For this purposes commercial banks stood as the vital & active financial intermediary for generating resources in the form of deposit of the private sector so for proving credit to the investor's in different aspects of economy.

Shrestha (1997) in the article has presented the objective to make an analysis of contribution of CBs leading to the gross domestic product of Nepal. The writer has set hypothesis that there has been positive impact of lending of CBs to the GDP. In research methodology, the writer has considered GDP as the dependent variable and various sectors of lending viz. agriculture, industrial, commercial, service and general and social sectors as independent variables. A multiple regression techniques have been applied to analyze the contribution.

The multiple analyses show that the entire variable except service sector lending has positive impact on GDP. Thus in conclusion the writer has accepted the hypothesis i.e. there has been positive impact on GDP by the lending of CBs in various sectors of economy, except service sector investment.

Tendukar (2005) in a study entitled, "Role of NRB in Deposit Mobilization of Commercial Banks" with the following relevant Objectives:

- To examine the role of NRB in deposit mobilization by commercial banks.
- To analyze the role of NRB in deposit mobilization by commercial banks.

- To evaluate the liquidity, efficiency and profitability and risk position.
- To suggest applicable and appropriate suggestion for the improvement.

The major finding of the study is as follows:

- The Central banks are required to direct the commercial banks.
- Commercial banks should have move as per the direction given by the central banks.
- If commercial bank does not apply sound investment policy it will be in great trouble in future to collect it in time.
- Banks are important for the nation. It helps in the capital for the nation to the nation, which is important element for the economic growth of the country.

Paudyal (2004) in a study entitled "A Study of Fund Mobilizations of Commercial Banks in Nepal" researched by Paudyal has tried to examined the funds mobilizations of the commercial banks and had concluded that the efficient mobilization of fund is more important than collection of one deposit. Also the writer said lower is the investment lower will be the capital formation. If there is high ratio of investment of the available fund this will create huge capital formation which is important to the economic growth of the nation and development of nation. At last the writer recommended that the commercial banks should concern their behavior in the efficient mobilization of the resources to yield better profit.

Sharma (2004) in the article "Banking the further of competition" has said, due to the lack of investment avenues, banks are tempted to invest without proper credit appraisal and one personal guarantee, whose negative side effects would show colors only after 4 or 5 years. Again the writer said that "Private CBs have mushroomed only in urban areas where banking transactions in large volume is possible. The rural and sub urban areas mostly remain unattended.

Rayamajhi (2008) has conducted on the thesis work "A study on deposit mobilization of six commercial banks" has concluded that commercial banks play a vital role in accelerating the growth of the country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources.

The reviews of above relevant theses have no doubt enhanced the fundamental understanding and foundation knowledge base which is prerequisite to make this study meaningful and positive. Although numbers of article have not been published and various research work have not been conducted in commercial bank deposit mobilization so far, so here effort is made to do.

Bhandari (2013) in his thesis paper has been presented by “A Study on Deposit Mobilization by the NBL” has concluded that commercial banks play a crucial role in accelerating the growth in the country. The bank mobilizes the savings of the people and diverts them into productive channels. The expansion of branches as more as possible to encourage the savings i.e. to increase the savings habits of people and thereby to mobilize the available financial resources efficiently and effectively in a productive way and concluded that the branch expansion helps to collect more deposits and utilize the available resources. The conclusion is diverted from the analysis of seven years data from 1970 to 1977 A.D. using Karls Pearson’s formula, percentage and ratio to meet the objective how far the bank is able to utilize the collected deposits.

Rouniyar (2013) studied on liquidity and profitability analysis of four listed commercial banks (with reference to NABIL, SCBNL, EBL and SBI). The study has made objectives to assess the profitability and liquidity position of the commercial banks and to evaluate the relationship between selected dependent and independent variables regarding liquidity and profitability of the banks. The study has covers the data of ten fiscal year i.e. fiscal year 2001/02 to 2010/11.The finding made by study were that the return on equity was highest of SCBNL and lowest of SBI among the four sample banks. SBI has more risky than other sample banks. In the same way, return on capital fund or employed to risked assets for SBI was more volatile than other sample banks. SBI has not managed its profitability to maintain capital adequacy than other sample banks. NABIL was more uniformity which has less CV than others. Net profit to total deposit ratio for the bank was 17 satisfactory i.e. well management in earning profit. Net profit to total loan and Advance ratio was highest of SCBNL.

Kafle (2014) in the topic, “Monetary and Financial reports in Nepal” states that consideration and liberalization of interest rate reform measure are initiated with a view to provide more option to commercial banks in the mobilization of savings and portfolio management through market determined interest and lending rates.

Gyamfi (2015) analyzed on mobilizing deposits the role of commercial banks in Ghana. The purpose of investigation was to identify the most effective and efficient ways commercial banks in Ghana; should employ to maximize the volume of domestic deposits in the environment of high rural population, dominant informal sector employment and macroeconomic instability. Analyses mainly had an explanatory research purpose since it aimed to establish the effect of methods used by commercial banks on deposits mobilization. The population of the study was commercial banks in Ghana. Out of the twenty-seven (27) Commercial banks, nine (9) have been selected as the sample size because of access to ready data. Author found amount of domestic funds that commercial banks receive was far below the level sustainable for self-sufficiency. Huge volumes of loan able funds are left out of the Banking system and it needs the efforts of the commercial banks to tap them into productive uses. The finding also indicated that deposits mobilization of Commercial Banks in Ghana though, has an upward trend, it increases at a decreasing rate.

Pokherel (2015) studied on deposit mobilization of commercial banks of Nepal, with reference to NABIL and HBL. The studied was made with objective to analyze the trend 19 of liquid management by the commercial banks, to evaluate the cash reserve ratio maintained by the NABIL and HBL and to analyze the total loan and Advance, total investment provided by the NABIL and HBL with covering studied period of five year from fiscal year 2010 to 2015. The findings of the studied were that the liquidity position of NABIL was very strong while HBL have strong capacity to meet the short-term obligations. Further HBL have invested significant portion of deposit to total investment than other. In addition total deposit, investments, loans, and Advance of all banks were in increasing trend.

Adhikari (2016) administrated a study on liquidity and credit management practices of commercial banks in Nepal, with reference to Nepal Investment Bank Ltd. and Nepal Credit and Commerce Bank Ltd. and had made objectives to analyze the trend of liquid assets maintained by the commercial bank, to analyze the credits and Advance provided by the NIBL and NCC and to find out the strengths and weaknesses in the credit position of NIC and NCC. The data cover for the study if of five fiscal year (2011 to 2016). The major finding of the study revealed that the relationship between total credit and total deposit shows highly significant positive correlation. The analyzed of the trend of liquid assets maintained by banks shows that NIBL in a better position than NCC. Further author conclude that the relationship between total credit and net profit also shows a significant positive correlation.

Ambe (2017) made an investigation of determinants of deposit mobilization in commercial banks of Ethiopia. The main aim of investigation was aimed to investigate factor that determine customer deposit mobilization by the commercial bank of Ethiopia by using data for 20 years. Both descriptive and econometric analysis has been applied in order to investigate factors. As determinants of customer deposit mobilization in the bank five explanatory variables such as loan, existence of competitors, interest rate, branch expansion were included. The result of the econometric result indicates that loan provision, branch expansion and number of customers are found to have significant positive impact for the growth of deposit mobilization. However, the emergence of new competitors and interest rate was not found to have positive impact to induce deposit mobilization in the 20 bank. The study recommends expansion of banks in different areas as well as enhancing the number of the customers via different incentive provision and coping up with emerging competitors as potential means of promoting deposit mobilization

Kadariya (2017) studied on deposit mobilization of commercial banking in Nepal Researcher had taken two samples of Banks Viz; Nabil Bank Limited and Nepal Bank Limited. The studied was made with general objectives of research to study target/actual loan investment and collection of developing banking of NABIL Bank Limited and Nepal Bank Limited, and to examine the financial position of sample banks. The study period has cover the data of five year (2011/2012-2015/2016) basically research methodologies in study signifies the research design source of data, data collection technique, data collection method and tolls and technique etc. were undertaken for descriptive cum analytical research design was adopted. The major finding of the study was that NABIL has more consistency and uniformity in case of profitability. NBL has slightly higher spread rate than NABIL. Loan and Advance of both banks are in increasing trend. Net profits of both Banks are in increasing trend.

However, the growth of increasing profit of NABIL is higher than that of NBL Thus it has found that NABIL will earn more profit than NBL in future.

Orok, Okoi, Essien (2018) analyzed on inflation and deposit mobilization in deposit money banks the Nigerian Perspective. The broad objective of the analysis was to study critically examine inflation rate in Nigeria with the view of ascertaining its effect on the deposit mobilization in Banks. The study which was ex-post facto, relied mostly on secondary data which were collected through the Central Bank of Nigeria (CBN) statistical bulletin, Nigeria interest research library research, textbooks, journal and report from 1994-2014. The population for this study included selected numbers of banks i.e. deposit money bank in Nigeria from 1994-2014. Authors concluded that all variables used in the construct were stationary at 1st difference, and at least one co-integrating equations exited in the model. Again, it was concluded empirically, that inflation has negative impact on the deposit mobilization of the Nigerian banks.

KC (2018) analyzed deposit mobilization of Agriculture Development Bank Limited. The study was made by covering study period from 2013 to 2018 with major objective to find out the composition of total loan and Advance over total deposit and to explore the profitability position of the bank. The studied find the mean total loan and Advance to total deposit of this ratio is 92.62 percent. The mean total loan and Advance to fixed deposit of this ratio of 2.22 times. Net profit to total loan and Advance gauges the bank's efficiency to generate net profits out of the total loan and Advance. The average net profit to total loan and Advance ratio is 7.76 percent. This indicates that the Net profit to total loan and Advance ratio for the bank is satisfactory i.e. to generate the profit.

Gunasekar and Kumari (2018) examined on factors affecting for deposit mobilization in Sri Lanka. The main objective of this study was to examine the most effective factors affecting deposit mobilization, followed by a random sampling method, in which 120 deposit account holders were selected as a sample from three different convenient sample areas. The Questionnaires were equipped with questions to obtain primary data. The data has been analyzed using "descriptive statistics" and "regression analysis". The study revealed that, there was a significant and positive relationship between deposit mobilization and deposit interest rate, security, branch expansion, services, technology and awareness. Moreover, there was a significant relationship between living area and the amount of deposits and the demographic variables, such as, gender, occupation, education level and income significantly affect for deposit mobilization. Examiner concluded that deposit mobilization was the key focus of many banks. However, finding revealed that deposit was becoming a challenging role for the Banks in Sri Lanka compatible with the growing need of loans.

Yadav (2018) analyzed on deposit mobilization of commercial banks in Nepal with reference to Nepal Investment Bank limited and Standard Chartered Bank. The objective of the research was to provide the comparative ability of NIBL and SCBNL in deposit collection and growth and to analyze the financial factor like liquidity management, efficiency and profitability position relation to deposit mobilization of commercial bank. The secondary data for the period (2012/2013-2016/2017) were undertaken for descriptive 22 and analytical research to describe general attitude of Nepalese depositor, business environment commercial bank etc. The major findings were that the loan and Advance to total working fund ratio describes that position of NIBL is better than SCBNL. From the analysis of growth ratio of loan and Advance, SCBNL seems weak in increasing loan and Advance than that of NIBL. SBNL has maintained high liquidity funds than that of NIBL.

Thao (2019) made a survey on improving deposit mobilization of Vietnam Bank for Investment and Development (BIDV), BAC Giang Branch, Vietnam' This survey assessed the status of deposit mobilization of Vietnam Bank for Investment and Development, BAC Giang branch through perception of depositors, creditors and employees. Based on the results of survey, author proposed some solutions to enhance deposit mobilization for Vietnam bank for Investment and Development in general and BAC Giang branch in particular. In this study, the researcher has focus on reviewing current situation of capital mobilization in previous years of the branch, stating the success and failures of bank based on perceived by clients and employees then propose some solutions to increase the deposits mobilization. The methodology of survey was by using raw data investigated depositors, creditors and employees. The respondents of the survey were depositors, creditors and employees of the bank. Total of sample is 90, 30 depositors, 30 creditors and 30 employees. After the direct investigation researcher conclude, deposit mobilization systems of BIDV in BAC Giang province were generally acceptable to all groups of respondents, both for deposit pricing policies and product and network. It falls under the often category with a description of 80 percent satisfaction and/or acceptability from the respondents. Some problems as perceived were higher interest of borrowing compared with other banks, and limited services offered.

Kassu and Menen (2020) Deposits are the primary source of funds for a bank, which facilitates the uses of funds of loans and investments. The higher the deposits amount, the bigger the lending and investments portfolio can be maintained by the banks to sustain its expansion and future growth. Mobilizing deposits is one of the essential issues in developing countries as domestic funds provide cheap and reliable source of funds for development. The objective of this study is empirically investigating factors affecting deposit mobilizations of Ethiopian private commercial banks for the periods 2010 to 2019. The researcher adopted explanatory research design and Quantitative research approach. 23 Endogenous and exogenous variables were analyzed by using the balanced panel data regression model. To check the appropriateness of the model Different diagnostics test were conducted such as test of heteroscedasticity, autocorrelation and Normality. The results explained that Banks Liquidity has a positive insignificant effect, credit risk and exchange rate have positive and statistically significant and inflation has significant negative influences on commercial bank deposit mobilization. Recommendation given to Commercial banks they should have managed high liquidity risk that contributed by increased deposit.

viii. Research Methodology

In the previous chapter, the role of commercial banks and its functions for the economic development of a nation has been discussed and the review of literature with possible review of relevant books, articles and thesis, and research findings has been done along with the function of commercial banks and types of deposits. This has equipped the researcher to make choice of research methodology to support the study in realistic terms with sound empirical analysis.

Research methodology is a systematically way of solving the research problem. It may be understood as science of studying that how research is done scientifically as well as systematically (Kothari, 1989). Research methodology is the research method used to test the hypothesis. It sequentially refers to the various steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology describes the methods and process applied in the entire subject of the study. This topic deals with research design, nature of data collection, processing of data and statistical tools used.

1.1 Research Design

Research design indicates a plan of action to be carried out in connection with proposed research work. The research design is descriptive and core prescriptive in this study because the historical secondary data have been mainly deployed for analysis. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. (Kothari, 1989)

1.2 Source and Nature of Data

The study is conducted on the basis of secondary data. The data relating to the investment, deposit, loan and Advance, assets and profits are directly obtained from the Balance Sheet and Profit and Loss account of the concerned bank's annual reports.

Supplementary data and information are collected from number of institution and authoritative sources like NRB, NEPSE, SEBON, web sites etc. For the additional information, informal-formal talks to the concerned head of the department of the bank were also done.

1.3 Population and Sample

There are 27 commercial banks all over Nepal. In this study of deposit mobilization of commercial banks in Nepal, Everest Bank Limited and Siddhartha Bank Limited are studied. Where, 27 commercial banks are taken as the population and SBL and EBL are chosen as the sample banks to reflect the picture of deposit mobilization.

1.4 Method of Data Analysis

Analysis and presentation of the data is the core of each and every research work. This study requires some financial and statistical tools to accomplish the objective of the study. The financial and statistical tools are most reliable. In this study various financial, statistical and accounting tools have been used. These tools make the analysis more effective, convenience, reliable and authentic.

The various results obtained with the help of financial, accounting and statistical tools are tabulated under different headings. Then they are compared with each other to interpret the results. Two kinds of tools have been used to achieve the certain goals.

- Financial Tools
- Statistical Tools

1.5 Financial Tools

Analysis and interpretation of various ratio should give experienced, skilled and analysis of a better understanding of a financial condition and performance of the form than they would obtain from analysis of the financial data alone. The type of analysis varies according to specific interest of the party involved. Financial tools basically help to identify the financial strengths and weaknesses of the firm byproperly establishing relationships between the items of the balance sheet and the profit and loss account.

- Liquidity Ratios
- Assets Management Ratios
- Profitability Ratios
- Risk Ratios
- Growth Ratios

1.6 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 as well as hypothesis test (t-statistic) has been used, which are presented below:

- Karl Pearson’s of Coefficient of Correlation Analysis
- Coefficient of Variation (C.V)
- Standard Deviation (S.D)
- Probable Error (P.E)
- Trend Analysis

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