

**STRATEGIES AND TREND ANALYSIS OF RETAIL
BANKING IN NEPAL**

A Thesis

Submitted by:

Prakash Pandey

Class Roll No: 1160/063

Nepal Commerce Campus

T.U. Regd. 7-2-25-377-2002

Exam Roll No.5007/065

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

**In Partial Fulfillment of the Requirements for the Degree of
Masters' Degree in Business Studies (M.B.S.)**

Kathmandu, Nepal

December, 2012

RECOMMENDATION

This is to certify that the thesis

**Submitted by
PRAKASH PANDEY**

**Entitled:
STRATEGIES AND TREND ANALYSIS OF RETAIL
BANKING IN NEPAL**

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

.....
Dr. Sushil Bhakta Mathema
(Head of Research Department
And Thesis Supervisor)

.....
(Campus Chief)

VIVA-VOCE SHEET

We have conducted the viva –voce examination of the thesis presented

Submitted by

PRAKASH PANDEY

Entitled:

**STRATEGIES AND TREND ANALYSIS OF RETAIL BANKING
IN NEPAL**

*And found the thesis to be the original work of the student and written
According to the prescribed format. We recommend the thesis to
be accepted as partial fulfillment of the requirement for
Master Degree of Business Studies (M.B.S.)*

Viva-Voce Committee

Head, Research Department
and Thesis Supervisor

Member (External Expert)

ACKNOWLEDGEMENT

This research study on “**Strategies and Trend Analysis Of Retail Banking In Nepal**” has prepared as a partial fulfillment of Master’s Degree in Business Studies (MBS) Program.

I would like to express my heartiest gratitude and sincere thanks to my thesis supervisor of **Dr. Sushil Bhakta Mathema** for his constant encouragement, patient guidance and valuable supervision at every stage of my research work. This work would not have been materialized at the present shape without their incisive observation and intellectual direction. I wish to express my deep gratitude to them.

I also owe an indebtedness to all reputed authors whose writings have provided me the necessary guidance and invaluable materials for the enrichment of my research paper in all possible ways. I would like to express my genuine appreciation to all the professors, readers as well as the staff members of Nepal Commerce Campus, whose suggestions and cooperation made me able to complete this thesis. I am also thankful to individual who gave their valuable time on my questionnaire survey and helped me to gather primary data.

Lastly, my hearties thank goes to my family members and campus staffs along with classmates who have supported me providing consistent help and encouragement.

Moreover, it is needless to say that to err is human and I am also no exception, so I apologize for any errors and mistakes committed in this thesis work.

Prakash Pandey

DECLARATION

I hereby declare that the work reported in this thesis entitled “**Strategies and Trend Analysis Of Retail Banking In Nepal**” submitted to Nepal Commerce Campus, faculty of management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement for Master’s Degree of Business Study (MBS) under the Supervision of **Dr. Sushil Bhakta Mathema** of Nepal Commerce Campus.

.....

Prakash Pandey

Researcher

Class Roll No: 1160/063

Nepal Commerce Campus

T.U. Regd. 7-2-25-377-2002

Exam Roll No.5007/065

TABLE OF CONTENT

	Page No.
Recommendation	
Viva-Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
Abbreviation	
CHAPTER-I INTRODUCTION	1-9
1.1 Background of the Study	1
1.2 Statement of the Problem	6
1.3 Objectives of the Study	7
1.4 Significance of the Study	7
1.5 Limitations of the Study	8
1.6 Organization of the Study	8
CHAPTER- II REVIEW OF LITERATURE	10-43
2.1 Conceptual Framework	10
2.1.1 Definition of Retail Banking	10
2.1.2 Introduction of Retail Banking	11
2.1.3 Benefits of Retail Banking	11
2.1.4 Scope for Retail Banking in Nepal	12
2.1.5 Advantages and Disadvantages of Retail Banking	12
2.1.6 Opportunities	13
2.1.7 Challenges to Retail Banking	14
2.1.8 Strategies for Improving Retail Banking	15
2.1.9 Special Features of Retail Credit	17
2.1.10 Emerging Issues in Handling Retail Banking	18
2.1.11 Some Critical Issues	22
2.1.12 Bank Lending Policy	24

2.1.13	Types of Loans Made by Banks	24
2.1.14	Retail Banking Product	25
2.1.15	Resurgence of Retail Banking	28
2.1.15.1	A Paradigm Shift from Corporate Banking	28
2.1.15.2	Differential Interest Rate	28
2.1.15.3	Increase Middle Class Demand	28
2.1.15.4	Liquidity Position of the Bank	29
2.1.15.5	Availability of Better Spread to Banks	29
2.1.16	Present Status of Retail Banking in Nepal	30
2.1.17	Features of Sound Lending and Investment Policy	31
2.1.18	Consumer Lending and Borrowing	33
2.1.18.1	Consumers as Lenders of Funds	33
2.1.18.2	Categories of Consumer Borrowing	34
2.1.18.3	Home Equity Loans	35
2.1.18.4	Credit and Debit Cards	36
2.1.19	Consumer Lending Institution	36
2.1.19.1	Commercial Banks	37
2.1.19.2	Finance Companies	37
2.1.19.3	Other Consumer Lending Institutions	37
2.2.	Review of Related Studies	38
2.2.1	Review of Articles	38
2.2.2	Review of Previous Research	41
2.3	Research Gap	43
CHAPTER- III RESEARCH METHODOLOGY		44-48
3.1	Research Design	44
3.2	Population and Sample	44
3.3	Source of Data	45
3.4	Data Collection Techniques	45
3.5	Data Processing and Presentation	45
3.6	Data Analysis Tools	45
3.6.1	Secondary Data Analysis Tools	46
3.6.1.1	Statistical Tools	46

CHAPTER- IV PRESENTATION AND ANALYSIS OF DATA	49-68
4.1. Analysis of Secondary Data	49
4.1.1 Position of Home Loan	49
4.1.2 Position of Auto Loan	51
4.1.3 Position of Personal Loan	52
4.1.4 Relationship between Retail Banking Products and Total Loan and Advance	54
4.1.4.1 Analysis of correlation coefficient between Home Loan and Total	54
4.1.4.2 Analysis of correlation coefficient between Auto loan and Total	56
4.1.4.3 Analysis of Correlation Coefficient between Personal Loan and total loan and advance for EBL, Nabil and KBL	57
4.1.5 Trend Analysis	58
4.1.5.1. Trend analysis of home loan for EBL, Nabil and KBL	58
4.1.5.2 Trend Analysis of Auto Loan for EBL, Nabil and KBL	59
4.1.5.3 Trend Analysis of Personal Loan for EBL, Nabil and KBL	60
4.2.1 Pace of Retail banking in Nepal	61
4.2.2 Desirability of Retail Banking	62
4.2.3 Use of retail Banking Product	62
4.2.4 Preference for Retail Banking Product	62
4.2.5 Motivating Factors for Retail Banking Product	63
4.2.6 Role of Retail Banking Product to help Increase Performance	63
4.2.7 Factors Affected by Retail Banking Product to Improve Banks Performance.	64
4.2.8 Difficulties faced by Commercial Banks	64
4.3 Major Findings of the Study	65
4.3.1 Finding from the Secondary Data	65
CHAPTER-V SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	69-71
5.1 Summary	69
5.2 Conclusion	69
5.3 Recommendations	70
BIBLIOGRAPHY	
APPENDIX	

LIST OF TABLES

Table No	Page No
Table 4.1 Home Loan: Position, Contribution and Average Growth	49
Table 4.2 Auto Loan: Position, contribution and average growth	51
Table 4.3 Personal Loan: Position, contribution and Average Growth	53
Table 4.4 Correlation coefficient between Home loan and Total Loan and Advance	55
Table 4.5 Correlation coefficient between Auto loan and Total Loan and Advance	56
Table 4.6 Correlation coefficient between Personal loan and Total Loan and Advance	57
Table 4.7 Trend Analysis of Home Loan for EBL, Nabil and KBL	59
Table 4.8 Trend Analysis of Auto Loan for EBL, Nabil and KBL (in Million)	60
Table 4.9 Trend Analysis of Personal Loan for EBL, Nabil and KBL	61
Table 4.10 Preference for Retail Banking Product	62
Table 4.11 Motivating Factor for Retail Banking Product for Customer	63
Table 4.12 Factor Affected by Retail Banking to Increase Performance	64
Table 4.13 Difficulties Nepalese Commercial Banks face to increase Retail Banking	65

ABBREVIATIONS

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